Meeting of the NPS Concessions

Management Advisory Board

June 11, 2003

MINUTES

Convene Meeting

Chair Naille convened the ninth meeting of the National Park Service Concessions Management Advisory Board on June 11th in Yellowstone National Park.

Ms. Orlando explained that the Board meets under the authority of the Federal Advisory Committee Act and must therefore comply with various requirements of the Act. Primary under the Act is that the meeting will be conducive to public participation and any member of the public may speak at designated times and file a written statement with the Advisory Committee.

Ms. Orlando then introduced Frank Walker, the Deputy Superintendent at Yellowstone National Park.

Mr. Walker welcomed the Board and after some introductory remarks, proceeded to present the Board with a short video that was just completed with the Discovery Channel on Yellowstone. This video will be shown all the Visitor Centers and also in a lot of the local communities to give people a heads up about what their visit in Yellowstone might entail. He then gave a quick thumbnail sketch of the Concession operations in Yellowstone. He mentioned the Xanterra contract which is on a three-year extension and due to expire on October 31, 2004. Together with Price Waterhouse Coopers work has been done to develop the prospectus for this next year, and that will go out hopefully in January to be advertised. Xanterra has most all the lodging, the food, the beverage, the horseback rides, the boat rides, and that sort of thing. Delaware North has come to Yellowstone and is now operating all of the former Hamilton stores, which are located in each of the major developed areas. The Yellowstone Park Service Stations are on a one-year contract with Conoco, the supplier. The medical services contract is on a two-year contract with a company called Medcorp. They provide urgent care and clinic care throughout the United States, particularly in remote and urban locations.

There are also about 100 outfitters that lead trips into the park of all kinds. The total operation is about $100 Million.

Management at Yellowstone is very committed to make sure of having the very best operations, running them as efficiently and effectively and as business-like as possible, and recognizing the various partnerships. There are 5,000 concession employees in Yellowstone and 800 National Park Service employees.

Introductions:

The following persons introduced themselves:

Allen Naille, Chair, former CEO of AMFAC Parks and Resorts, which is now known as Xanterra, Flagstaff, Arizona.

Ramona Sakiestewa, artist, living in Santa Fe, New Mexico, Board Member.

Jim Eyster, Board Member, living in Upstate New York.

Dick Linford, Outfitter out there on Forest Service and BLM lands, Board Member.

Cindy Orlando, Chief of Concessions for the National Park Service in Washington, D.C.

Randy Jones, Deputy Director, National Park Service.

Dick Ring, Associate Director for Administration and Business Practices in Washington, D.C.

Frank Walker, Deputy Superintendent of Yellowstone.

Edna Good, Chief of Business Management here at Yellowstone.

Judy Jennings, Chief of Business Resources Division in the Intermountain Region in Denver, National Park Service.

Rebecca Rhea, Chief of Concessions Management at Grand Teton National Park.

Nick Hardy, Chief of Concessions Management at the Grand Canyon.

Bob O'Neil of Grand Teton Lodge.

John Rutter, the Grand Teton Lodge.

Mike Welch, Xanterra Parks and Resorts in Denver. Curt Cornelssen with Price Waterhouse Coopers.

Gary Fraker with Delaware North Parks and Resorts at Yellowstone.

Peter Crage, Delaware North Parks and Resorts.

Bruce Fears, Delaware North Parks and Resorts, Buffalo, New York.

Wendy Rosen, Group of American Style and Nation Magazines.

Jerry Swafford, Concessions Manager, Northeast Region.
Joe Renfro of Aramark Parks and Resorts, Atlanta, Georgia.
Dave Woodside, Arcadia Corporation, Arcadia National Park, and also Vice Chair of the National Park Hospitality Association.
Jim McCaleb, General Manager of Xanterra Operations in Yellowstone.
Steve Tedder, Xanterra Parks and Resorts.
Chris Campbell, Price Waterhouse Cooper.
Barb Riley, Business Management Office, Yellowstone.
Connie Fitzgerald, Business Management in Yellowstone.
Mary Murphy, Business Management in Yellowstone.
Judy Churchwell, Business Management, Yellowstone.
Chris Davis with Carter & Burgess out of Fort Worth.
Eric Dillinger with Carter & Burgess, Forth Worth.
Paul Norman, Business Management Office in Yellowstone.
Burt Weerts with the National Association of State Parks Director out of Georgia, Board Member.
Phil Voorhees, National Parks and Conservation Association, Board Member.

Agenda

Chair Naille explained he would be making some changes to the agenda, mostly from a time point of view. He announced that Public comment will come into play after Other Business.

Approval of Minutes

Board Member Sakiestewa moved, seconded by Board Member

Linford to adopt the minutes of the October 22 and 23, 2002 meeting. The motion carried unanimously.

Randy Jones provided the Board with a few general observations about what is going on in the Park Service and the world of Concessions, and then would certainly be willing to open it to any members of the Board if there are particular topics they would like to talk about. He urged the Board Members to talk to representatives present from Yellowstone, Grand Teton, and Grand Canyon, as well as some of the very finest Parks Concession Specialists in the National Park System. They are dedicated. He thanked all the members of the Committee for their time commitment and involvement in helping NPS. Advisory committees are wonderful forums to use as sounding boards, to talk about ideas, discuss problems, and solicit advice as to how NPS should be going on major issues affecting the National Park Service, the National Park System today. The Subcommittee was meeting yesterday and the other Advisory Board is used to serve as a wonderful vehicle for resolving problems and becoming informed as to bring different sides of issues together, and to have a dialogue so that problems can be resolved one on one in discussion form, rather than having confrontation and, worst of all, litigation, and in the end having judges decide how to run these programs. Mr. Jones expressed pleasure at making progress on a lot of the outstanding issues affecting both the National Park Service and the Concessions Program, in particular.

Mr. Jones related some of the priorities that may directly affect and relate to the world of Concessions. One of the highest priorities is dealing with the maintenance backlog of the National Park System, which is a little less than $5 Billion in scope. This is a multi-year effort and funding is provided in a variety of ways, from new construction dollars, to great increases in the repair/rehab programs, to implementation of the fee demonstration program. For the First time entrance fees for the parks are being used to fix up facilities. Programs here at Yellowstone, where it was possible to use income from the Concessionaires to re-invest tens of millions of dollars, the service is providing new facilities for the public, and allowing for a good winter operation for the first time. Another issue before the Congress right now is the mixed condition of the roads in this park, representing in a way a microcosm of the problem on a nationwide basis. Under the current bill that expires this year, the Park Service receives $160 Million of highway money a year, and the Park Service is asking in the next authorization that that be upped to $300 Million a year. This will enable a chance to really get ahead of the backlog of road problems. Yellowstone spends $25 Million a year, and that is just one park. If this is not done, the road problems will persist. The federal highways folks essentially have full time people based here in the parks just to work on road problems.

Yellowstone is sort of at the midpoint in getting rid of the deferred maintenance backlog, and is involved in nationwide condition assessments to look at all of its buildings and to report on what is their condition, what is needed, and to get them in a prioritized manner.

Parallel to that, though, and equally important because it gets at what the dual mission in the National Park Service is all about, is the National Resources challenge, involving a multi-year effort to increase the annual expenditures under Natural Resource Management, an increase of over $100 Million a year. A basic inventory and monitoring of the condition of what is here, getting a full knowledge base of what is in the nature of this diverse ecosystem, is a major effort. There are major wildlife issues, air quality issues, water quality issues, all over the system, and through the natural resource challenge in the future, it will be possible to make decisions that are more scientifically based and have a good knowledge base to support the programs.

Another major effort and a personal priority of Director, Fran Mainella, is in the world of partnerships. There was a reorganization of the Washington office, creating a new Associate Director for Partnerships in Washington, and emphasizing what an incredible important element of running a nation's park that is. And it is important from a variety of points of view. Parks like Yellowston could not operate if it was not for the volunteers they have. Yellowstone has a permanent staff of only 130 people, so essentially a quarter of its work force are volunteers. The effort they put in is just incredible, and volunteers literally do the full span of almost everything, with the most obvious exception being things like law enforcement. But be it maintenance, education, scientific research, or helping the word of business and professionalism, the volunteers do it. There is also an increasingly heavily reliant on the world of fund-raising. Through the National Park Foundation and here at Yellowstone, there is a foundation and many of the major parks have their own Friends groups that raise money, and successfully raise millions of dollars a year, to tackle those projects that just otherwise would not get done with federal dollars.

In the world of concessions, the program is evolving very quickly. With the new legislation that Congress passed, fundamentally rewriting a law that originated in the 1960's, results in a different approach in how contracting is accomplished and a huge effort is being made to catch up on the backlog of contracts. A lot of the new contract issuances were put on hold and there are hundreds of contracts that need to be issued. There is an increasing awareness on how to improve the professionalism of the staff. For the next generation of concessions managers, MBA's are being recruited. This is done through working with the universities to recruit more people with hospitality background and education experience. Mr. Jones recognized that concessions in the National Park System has just changed dramatically in the span of his 32-year career with the National Park Service. The nature of the types of concessions is different, it is no longer just dominated by the little mom and pop operations. There are now very large corporations dealing with billion dollar companies rather than dealing with small individual operators. It is a wonderful example of the success of the park idea and how popular they are with the American people.

Mr. Jones next touched on the issue of what goes into contracts and how to deal with issues, like leasehold surrender interest and the contractual rights of concessionaires. At the same time contracts are being implemented that sometimes over 30 years old, and turning those over. There is a huge evolution as the old system is being converted into the new contracts.

What makes possible to succeed and make progress is that, as part of increasing the professionalism is that there is an increasingly reaching out to the private sector, the contract with Price Waterhouse Coopers, and all of the subcontractors they brought to the table, improving the ability to address these issues in a professional way.

Chair Naille expressed his appreciation for the work group and to Dick Ring and Cindy Orlando because they are a vital part of that discussion and impetus behind getting things accomplished in a positive direction.

Mr. Jones noted that the concessions program is incredibly important in the true sense. Concession employees have more interaction, more involvement with the public than park rangers do. In the truest sense, they are the partners in working together to provide that overall public service to the public.

Mr. Jones indicated that at the reception the previous night two awards are presented to two of the concessioners, Delaware North and Xanterra for their roles in environmental leadership, and in an across the board taking initiatives in educating the visitors, taking internal controls very seriously when it comes to water quality and emissions and dealing with hazardous waste, and across the board in environmental stewardship, and leading by example, which is greatly appreciated and is, as mentioned in the prospectuses, an important element for partners to be serious about. It was a great honor to be able to recognize two of the concessioners for what they have already accomplished.

Mr. Jones next informed the Board of the Congressional oversight hearings in the form of a House Committee. The House and the Senate Committees remain very interested and very serious about all elements of the new Concessions Act. This particular hearing was a house hearing. The members asked lots of good questions and probing questions and hopefully will continue to remain actively involved as the Concessions Management Program is being improved.

Board Member Voorhees noted that it was just obvious that the members are still riding herd on trying to understand what is the appropriate pace for concessions reform to move forward in the National Park Service now that the law has been passed. They are also trying to engage in what they see as continuing rough spots in some of the regulations and sticking points in the law itself. He expected that they are going to keep doing that at least once a year forever more.

Mr. Woodside reported that he spoke on both behalf of the Association and as a designated smaller concessionaire. One of the major issues that was discussed in testimony was the leasehold surrender interests. The other issue that he spoke to, and there were some questions from members of Congress about raising the $500,000 threshold on a right of preference, and he was asked specifically by Congressman Radonovich about what he felt was an appropriate number. There was talk of up to 5 Million. There is certainly no consensus on that, but it is a topic that still seems to come up from time to time. There had been a bill introduced at one point with the $5 Million number in that.

Mr. Jones stated that Chairman Radonovich in his opening remarks at the hearing clearly stated that he was not there to entertain changing the law at this point. He wanted to see it work a few more years and while some concessionaires would like to see that dollar amount raised, one of the observations is, now that there is more competition, some really good quality bids are received from a lot of folks that are well thought out and are serving the public very well because of the competition.

Ms. Orlando mentioned there are 5,000 concessions employees in Yellowstone and there are 28,000 concession employees service-wide. That is more employees than the National Park Service in its entirety, so the comment that the visitor does not recognize or distinguish between who it is they are talking to in Parks is an important one to remember. She thought the Board should be pleased with the progress and success that wass made historically in that regard. As far as the wonderful business partnerships in parks, she referred to Sandy Poole's report, which states "This region maintains that our concessionaires are park business partners. Although they are under contractual agreements with the Park, it is of great benefit to the parks to include concessionaires in working out park issues and to identify where concessionaires may be able to provide assistance within the appropriate legal perimeters. Working with your solicitors, of course, is key to any participation." This really summarized the Board's philosophy which was exemplified yesterday in the proceedings. The Regions have been engaging pretty consistently in the same kinds of efforts. Randy Jones touched on some of them, certainly the contract backlog, the preparation of contract prospectuses, and solicitation, and then selection and award of those contracts. Ms. Orlando expressed appreciation for all of the work that the field and the regions have been putting in to getting these contracts out. A very important piece of success, last Friday at Northern Arizona University there was a celebration for the graduated of the first class of 16 participants in the Hospitality Certification Program. There were 16 different parks represented. They completed a two-year distance learning program that focused on hospitality, business law, hospitality accounting, had some internal law policy and regulations training, and management and leadership training. Ms. Orlando extended congratulations to Patty Kramer, the participant graduate from Yellowstone. The Northern Arizona University School of Hotel and Restaurant Management were wonderful partners. They did a great job with the ceremony. And they treated everybody like kings and queens on Friday, so it was wonderful.

Ms. Orlando went on to explain what actually physically goes on in that program. It is a distance program and all of the course work is done on line. There are discussion bulletin boards and they have exams. It is just like any college course. It is extremely difficult. Everybody is holding down a full time job and has lots of other personal obligations. The final session, the graduation session, is held on campus. They work very closely with their individual professors. The curriculum has been designed and it will be fairly easy to institutionalize a relationship and to keep the training going forward.

A discussion followed on the funding of the program. There will be a required certification for new positions in the Concession Program and the program is working to build that into the competencies for concession employees. For folks that are already in the program and move into certain positions, there will be a requirement that they at a reasonable time get the training after they have gotten into the job.

Mr. Hardy related that a member of his staff at Denali took part in that course and the understanding of what profitability is, what return on investment is, how accounting works, even basic things like spreadsheets, there is just in the field at Denali, there was a real lack of that skill. Attending this course resulted in a much better discussion of a lot of operational issues because it allowed the staff to adopt a similar understanding of what the managers are going with from the Concessions side.

Ms Orlando noted the program has related to the professionalization and wanted to develop a course for Superintendents and Managers, taking this basic curriculum to an advance level, investigating a number of different opportunities for going forward. The Regional Programs have been involved in the Leasing Program. The 1998 Act expanded the Leasing authority from historic leasing to leasing in general. All of the Concession Managers have been assigned that responsibility. It is in the Concessions Program in

Washington, D.C., so they will be getting the leasing program under the new authority off the ground. The program has given a policy direction to implement competitive market declaration. Concessioners should be beginning to see some of that or get that direction from the parks and regions, again offering some challenges.

Ms. Orlando next discussed the greening of the parks and the concession operations. She referred to the National Park Service Concession Environmental Newsletter, and a copy of the Pacific West Region's Green Voice, which focuses on sustainable concession management in that region. Copies were made available of the 2002 Annual Report for the Concessions Program and Ms. Orlando asked for feedback. This represented 18 months of accomplishments that was all collectively attained in the last few months.

Dick Ring stated he endorsed all the comments that were made and personally also appreciated the role the Board is playing in helping create a forum to engage a number of the issues on the concessions program. He thought this was an extraordinarily productive way to focus in on some of these topics and to try and add value and make the program better. The Administration has a Management agenda and it covers things like the strategic management of human capital, it covers competitive sourcing, it covers e-Government, as key examples. And the concessions management program is very much linked in to all of those. One can expect to be looking at ways to try and work both with concessioners and to frame the way of doing business in a way that is quicker, better, more effective on an e-Government standpoint. Working in terms of electronics, web-based kinds of sharing of information and databases will help actually to connect all the concessioners to the recreation.gov site that is attempting to provide one-stop shopping to the public on what opportunities exist on the public lands and how to get connected with them, and the opportunities to make reservations for anything from hotels to tours, and the like.

There are an enormous number of employees who go to work every day in the park for concessioners to help put on the national parks for the American public. The strategic management of human capital is being cast not just to deal with government employees, it is trying to look at the entire work force, and the service is trying to come up with strategies for dealing with the entire work force that includes all of the volunteers, all the concession employees, all of both the government and non-government folks who go to work in the parks every day, so that it will become to represent one workforce with an understanding of the relationships and how to work together better.

As far as competitive sourcing, NPS is going through an exercise to look at positions that are employed by the National Park Service that maybe should be studied for whether or not they should be done by the private sector or continue to be done more effectively by the National Park

Service. If one looks at the total number of people who go to work in the National Parks every day, probably half or more of them are people who do not work for NPS directly. They work with NPS through some kind of a volunteer, or contractual, or cooperative relationship. The Park Service will be continuing to look for opportunities to work in ways that add value to the bottom line, which is protecting both the parks and serving the visitors that come to them. So there are connections that are pervasive from the President's management agenda to the Concessions Program, and he assured the Board they can expect to see NPS bringing both challenges and ideas to the table in terms of where and how it wants to have the Concessions Program work better in all of those areas.

Judy Jennings from the Intermountain Region reported that this region has been pretty quiet. They have about 250 of the 600 concession authorizations in the National Park Service. They have completed about 35 contracts in the last three to four months and those are actually in place. About 100 to 125 are in the planning stages and will be getting out in the next three to five months. There are 47 outfitters here in Yellowstone are cropping up that have never been dealth with before that are really impacting the contracting. This mainly involves the planning and political world, which is a whole new world where one is seeing winter use plans that have taken up a lot longer planning and a lot longer time of anyone than was ever expected, which have direct impact on Concessionaires here in Yellowstone. Personal water crafts is an issue there in the contracts coming up in some of these larger recreation areas. The general management plans are outdated and should conform to the Yellowstone Master Plan which was dated 1976. A lot has changed in the world of concessions and commercial operations since 1976. Ms. Jennings appreciated finally being a participant in the plans and actively participating in plans and seeing a lot better identification of commercial services, appropriate and necessary services in park areas. She reported working on seven Price Waterhouse Cooper contracts with another 18 waiting of the 50 that are coming up. Price Waterhouse Coopers has done just an excellent job in helping develop those prospectuses. The expertise that they have added has just been phenomenal. This is made apparent by the site visits for these contacts that are coming up. As many as 20 different companies are represented in site visits, rather than the usual two or three in the past. Companies are putting a lot more time and effort and expense in putting together proposals and this is apparent from the very sophisticated proposals and they are definitely to the benefit of the National Park Service and the parks when those contracts are issued. Parks are meeting with their concessioners in developing especially Category 3 contracts where you have the smaller outfitter guides that do not have the expertise in developing a prospectus package, or even understanding it.

Board Member Eyster asked Ms. Jennings to explain a little bit about what that population is that is interested now in competing and whether they tend to be larger companies than smaller.

Ms. Jennings explained there is a real variety. This is real interesting because they are former concessionaire employees who are now working for different corporations that are bringing in and asking about it. A different group of outfitters and guides are real interested, as well. She mentioned soon after they issue a new prospectus or a new contract, there are sale transfers that are taking place. And a lot of these concessioners are waiting until they have a new contract in place, and then doing a lot of sale transfers.

Board Member Linford asked what sort of issues do she see in the sale of transfers from her point of view.

Ms. Jennings stated that it involved a lot of work because one has to look at all the financial information. They are seeing new operations who have previous background, and they are very focused on the park and their interest in the park.

Mr. Jones added that a good example is in the area of gifts where now there is a lot more attention paid to the nature and types of merchandise that will be sold, when they get more theme related, more educational, and more complimentary to park missions, as opposed to souvenirs.

Ms. Jennings also reported on two really successful meetings with the Concessioners. They met with the Xanterra Parks and had the Park Service people and the concessioner for all parks for Xanterra operate, meet together, talk about common issues, common goals in order to have some consistency in those parks. Those meetings have just been excellent. There was also a successful meeting with Forever Resorts for the first time this year, and that meeting was equally successful in just sharing the information and sharing with parks. She said they want to look at something similar to that, but maybe even looking at similar operations, like outfitters, because there are similar issues in the parks albeit on a different basis, and it would be really nice to tie it all together in a sense and have some consistency. There is a huge concern about vacancies and upcoming vacancies in this program.

A discussion followed on the subject of advertising for vacancies.

Ms. Jenning expressed satisfaction with the weekly conference calls with Price Waterhouse Cooper. Monthly meetings with the Solicitor's office are also held and it has cut down on review time tremendously. A partnership with Colorado and Wyoming was entered into with regard to looking at developing prospectuses and helping them develop prospectuses and getting their ideas, and also working with them as consultants on the panels. This will provide some of that outside review when putting together the panels for selection. There also a kind of an education process with Superintendents, and the region has been very fortunate to have been invited and included in all the Superintendents meetings and have taking an active role in talking about the Concessions Program with all the Superintendents which is a real plus for this region.

Mr. Jones added that this is a wonderful example of what is happening in the demographics of our regions. The newest Regional Director, John Jarviss in Oakland, within two years will be the Senior Regional Director, likely.

Mr. Swafford discussed the difficulty of doing sales and transfers and provided the Board with an example when back in 2002 some people wanted to develop a change in majority ownership, after having been turned down by the Park because the concession was going out on bid very soon. He explained the very difficult process. When it was all finished the new law changed, and they had to start all over again.

Mr. Swofford provided other examples of working with concessioners, discussed the possibility of leasing instead of concession, in this case a golf course. He also mentioned that the Statue of Liberty was greatly affected by the events of 9/11/01. The statute itself is still closed, which affects the number of visits, and their security services are very tight, which also slows down the number of visits. A contract was made with Price Waterhouse Coopers to determine what the remaining value of those contracts, three concession contracts are and whether they should re-negotiate a franchise fee pursuant to the remaining time left on the contracts.

Next Mr. Swoffrd provided some statistics about the Statue of Liberty. Price Waterhouse Coopers has also been helping identify alternatives for the new contracts at Statute of Liberty. All three of them are going to be expiring very soon. One of them already has expired. The decrease in visitorship was due to the changes in travel patterns that have resulted. There is also a downturn in the economy. New York Hospitality industry itself is down. But the National Park Service has made significant changes too, not in the number of ships that go, but the security services that you have to pass through in order to get onto a ship to go to the Statue. And the Statue itself is a lesser attraction now that the statue is not open, and you cannot go up there to the crown and look out, which is not much of an experience anyway, but people do not know that

Responding to a question about a shift from concession to leasing, Ms. Orlando explained that there is no shift from concession to leasing. The leasing program has been in existence for many years. The authority has been expanded to include other than historic buildings.

A further discussion was held on this subject.

Board Member Sakiestewa asked for a clarification of concessions in relation to cruise operators. Mr. Jones provided as an example the situation at Glacier Bay National

Park where cruise ships come into the park at the rate of two a day, and they are park owned and operated waters within the park, so it is a business operating in the park, so therefore it requires a concessions contract under the statute. They pay a franchise fee.

Ms. Orlando elaborated that there is special legislation, too, for those cruise ships up in Alaska. She also pointed that concession contracts in the Intermountain Region account for almost half of the total concessionaire revenue generated in 2000. That is in the Annual Report we handed out. They collect only a quarter of the franchise fee. In contrast, the Northeast Region accounts for more than 40 percent in franchise fees, but just about 10 percent of all the gross revenues.

Reports.

Edna Good reported that the 100th anniversary of the Roosevelt Arch Celebration will be August 25th. Invitations are being sent out. Theodore Roosevelt, IV will be the honored guest.

She advised the Board that they currently have three new concessioners, Delaware North, of course, being the largest operation, but also the medical and the gas stations. She elaborated on transition issues. The contract with Xanterra ends October 31st, and then there will be the start of the winter operation in the middle of December. If a concessioner comes in here who is not running a winter operation, that would just be a nightmare. So there ought to be some consideration of what the transfer date would be, and it might not necessarily be the end of the contract or when it expires. She reported that the park has 47 horse and pack outfitters and about 30 snowmobile/snow coach outfitters. Those will all be in the street by the end of June. They are all Category 3, and because these prospectuses are so intimidating, there are going to be training sessions in six different locations at six different dates scattered throughout the summer and fall.

Along with the changeover in the medical contract and in the gas contract, through the Special Accounts it was possible to purchase the outstanding possessory interest on both those contracts so that the park owns all the facilities now. She reported working with Price Waterhouse for the last two years on developing the Xanterra prospectus. Before that time franchise fee money was spent for contracting with an outside firm to do comprehensive condition assessments of the 836 buildings assigned to Xanterra. Over 500 are historic, major facilities. There now exists a very good database that was never there before. One big problem is what to do with that data as there are no systems in place for managing the assets with the computer system throughout the service. So there is not going to be any continuity in how e these assets are managed unless something is developed fast as the park is on a fast track on issuing contracts, but does not have the tools in place to manage them. A number of other parks have the same concerns and there will be a meeting to see if there will be some recommendations for an asset management system. Eric Dillinger from Carter Burgess will be helping with that.

Board Member Eyster inquired if the objective of the Park Service was to try to purchase possessory interest in as many contracts as it can or is there evaluation of letting some of that debt continue to the benefit of the Park Service, as opposed to the detriment of the Park Service.

Mr. Jones interjected that this is going to be a case by case situation. Certainly, the possessory interest should be at a level such that there is still good competition for the contracts and that should not be such a burden as to essentially de facto prohibiting competition. There are cases where it makes a lot of sense to have leaseholds surrender interest and having the concessioner make capital improvements, and there are other places where it makes sense to try to reduce it or eliminate it. This is going to be evaluated on the specific circumstances of each contractor.

Ms. Good explained that in their case with the gas stations, Hamilton Stores owned 50 percent of the assets and the government owned the other 50 percent, so it made total sense for the Government to nod them out since they were no longer operating in the park. And in the medical, that contract is not feasible without subsidy, and there was about $500,000 possessory interest. So the park picked that up so a new concessioner could come in here. Another challenge is the need for commercial use authorization regulations. The park has 130 IBP's and they call five or six times a day wanting to know whether they can transfer their permits. They need to see those regulations.

MS. SAKIESTEWA: I have a question actually to all the parks, but this one specifically since it is so large. Do you manage the concessions in the same way that you might have an investment person manage your portfolio so that you have -- or is there any point in doing that? Or do people just come and say, "Oh, we need more gas stations?" Or, "We need more outfitters." Is there like a big plan or big picture here at the park where you say, "We have got this many concessions in this range, then we have this many in a $500,000 range, and we have so many?"

MS. GOOD: We do have management plans for the park that determines what is appropriate. As Judy said, many of those are out of date, but we assess their needs and when we need to amend a plan, we do that. But we have NEPA documents whenever we consider a concession.

MS. SAKIESTEWA: But do you consider all the concessions in one big picture is what I am asking.

MS. GOOD: Usually more by developed area.

MS. SAKIESTEWA: Okay.

MR. JONES: We will have tiers of plans in the parks, so we will have a general management plan where it talks about everything in an overview of how a park should be managed. We will then have specific plans for specific developed areas, and we will also have a commercial services plan that specifically address what are the commercial operations or business opportunities that we should be pursuing in the park.

MR. VOORHEES: Is there a commercial services plan in place at Yellowstone?

MS. GOOD: No, it has never been completed.

MS. SAKIESTEWA: And so would you then be able to project how much income you would have from these various concessions? Or what the environmental impact would be?

MR. JONES: Well, our legal standards for concessions has always been concessions that are necessary and appropriate, not based on what gets us the most money.

MS. SAKIESTEWA: Necessary and appropriate, okay.

MR. JONES: Given the overall purposes of a park unit.

MS. ORLANDO: Maybe at our next meeting in the Fall we can have a presentation on planning. That might be something that you all would be interested in.

MR. HARDY: Well, just an illustrative example of what is necessary and appropriate in that park planning go hand and hand, at Denali, we had a general management plan that was written a number of years ago, and we realized that we did not used to have a gateway community, so everybody who came to our park had to have services right inside the park, and the park service managed that. But there is a lot of burdens to operating that way, to doing all of these things within the park. But then over the 30 years we had very high -- maybe 7 or 8 percent regular increase in growth outside of visitation. The Gateway community all but came developed. But then we decided maybe it is not necessary to build a new lodge here in the park because our current facility is a modular one. So we decided as part of the general management plan, "Well, let's let the lodging be two miles away in our gateway community, and we won't build a new lodge for this modular facility that is really outdated." And in another case we might decide we need new and additional services because demand grows. So the General Management Plan gives the overall guidance, but then when a contract comes up for bid, then we will say, "All right, let's look at our General Management Plan and let's decide, do we want to change this concession opportunity?" And so there is steps, but you refer to the General Management Plan and maybe a Commercial Services Plan, depending on whether a park has written one.

MR. NAILLE: And let me just ask Frank briefly, since '76 was the last GMP, I assume something is in the planning stages. Just out of curiosity, when is that planned for?

MR. WALKER: Well, you know, it is kind of an interesting question because Yellowstone has completed major environmental impact statements, studies on winter use and on Bicen, and other kinds of things that have been going on.

Those take all of your staff's time and effort and energy. And so we know, you know, at some time in the next two years, we will need to do the General Management Plan, but most of the decisions that were made in 1976 are still valid. They have not really changed that much of what we are doing, and so in some cases a Commercial Services Plan may be a good way to implement some of those decisions that were made in 1996. So that is the way we are looking at it right now.

One of the things that I have really noticed, having been here in the 60's and came back in the 70's, and back here now, is that the gateway communities have responded to the fact that the National Park Services tried to keep a minimum amount of necessary and appropriate lodging and campgrounds and that sort of thing by building those outside the park. And the community of West Yellowstone has changed tremendously in the last 25 years. Cody has done a lot in the last 25 years, Gardner, Montana has done a lot in the last 25 years. And those places have responded to the fact that the park just kept those facilities that were necessary and appropriate inside the park. And they have hotels -- I mean, a lot of hotels.

MR. NAILLE: Yeah. Rebecca, I think we are headed your way.

MS. RHEA: Okay, so if Yellowstone is the mother park, I guess I am at the neighbor park. And any of you how have not been down there, shame on you. It is only two hours away and it is fantastic. A lot going on in the concession program there, so this is a combination of bragging and not really whining because that is not allowed, but sort of commenting about some of the challenges. We have 28 different businesses that operate in the park under either permits or contracts, depending upon what they qualified for under the old law, and we are transitioning them all to contracts, of course. So since the new law passed, we have done a prospectus and issued new contracts for a horse operation, a boating service, our river concessioners, and one climbing service is about ready to be signed. And we still have seven more prospectuses to come out before the end of the year, and that will cover cross-country skiing, the Grand Teton Lodge Company, which is our largest concessioner, Sigma (phon) Mountain Lodge, another climbing business which is X amount in guides, two small horse operators, and two back country permittees. And I would have to say that the amount of time that goes into issuing a prospectus and dealing with concessioners operationally does not necessarily correlate to their gross receipts. So the more businesses you deal with, the more complex your operation is. We did a transition of a concessioner -- it was the Jenny (phon) Boating Shuttle Service -- from an incumbent concessioner who had been operating it as a family business for almost 50 years, to a new concessioner under the competitive bid process. And it was very challenging to do the transition. And literally, we did have the question, "Well, where is the key to the residence?" I will say, though, that although the transition was difficult, the end result has been wonderful. We have a much higher quality service to visitors than what we had before. We have met Coastguard qualification standards for our captains and for the new boats that operate on the lake, we have a high degree of satisfaction among visitors and park staff. So it has been well worth the difficulty in doing that. And it is also pretty heart wrenching to deal with a family business on a personal level and see that change take place, so it has added a challenge to the program. Other challenges are dealing with a limited staff. I have only got a staff of two right now, including myself, to try to do this phenomenal amount of work. We are working with Price Waterhouse Cooper on our two largest contracts, and I would say that the quality of the product is many times greater than what I feel I would have been able to produce myself, also trying to do all the operational things at the same time. I think particularly the Business Plan and the Operating and Maintenance Plans are really excellent. It has not necessarily speeded up the process, however, but it is going to result in a higher quality product. Challenges, too, are the support that we need from our Regional Office. They have -- perhaps Grand Teton is not always their highest priority, although it is mine, as well as with the Solicitor's Office. So it is a lot of work to keep pushing your agenda forward on all these fronts. And so we cannot succeed without the support from Region and Solicitor's Office and the Washington Office. The review process on these big prospectuses is still, although somewhat streamlined, it still is time consuming. And as things take longer to get done, there is more input and more changes, and there comes a point where you just have to say, "Okay, that is it. Can't add anymore value. Let's get it out." Also, the sale transfer which has been commented on a little bit already, it is just an added workload and that is almost as time consuming, the review process of those proposals as issuing a prospectus and making a selection. And the concessioners, at the time they have a willing buyer, you know, you are in a business world and time is of the essence and they are ready to sign and move forward and start operating, and yet even though we do the best we can to get a speedy reply, it still takes a minimum of 30 days, and really 60 to 90 days is more realistic. So there is a lot of pressure to get those sale and transfers approved. I am somewhat frustrated, to be very candid, that we might issue a prospectus and go through a very thoughtful review process, and make the selections, and then, knowing that several of the operators do not really intend to operate, and what they really want to do is sell their business. So that is just a bit of a frustration. Just kind of on the nitty gritty, about the same time we are doing all these contract things, we are dealing with things like broken water mains in front of a concession operation that is not going to be able to serve lunch, we are dealing with a launch on the Snake River that is moving away from where the access is, and so it is hard to launch the rafts. And where to dump ash out of the campgrounds. I mean, so you are dealing with the sublime and the mundane, you know, all at the same time. And that is a challenge, too, to keep the priorities in the right order because service to visitors is certainly of the highest priority, but these big contract matters cannot be tabled because those are also a very big, high priority. On the other positive note, I would say that the core menu -- I have been working with it for several years, but fully implemented it this year. I mean, it has some challenges, it is not as easy as it appears when you just read it. You really do have to look at a broad spectrum of items on the menu, so the things are within a reasonable relationship to each other. The best thing -- oh, we are also experimenting with different rate methods and, on paper sometimes, those look really good, but the concessioners are not always that happy with them, particularly in a low and inflationary time period if you are using rates that adjust by the CPI. So that has also been more of a challenge than I anticipated. On the very positive note would be the 80 percent Franchise Fee Program. We have done some really outstanding things at the Tetons with that money that provide immediate benefit to visitors and to our infrastructure, and so I hope that we never lose that. And that is about as fast I can talk and tell you this much. Any questions?

MR. LINFORD: I guess my question would be you are seeing these people apply for contracts that they have no intention of using? Can they do that? In the Forest Service, you have got to operate for at least two years successfully before you can --

MS. RHEA: We do ont have minimum time requirement after the new contract is issued.

MR. LINFORD: Wow. Well, that would be frustrating.

MS. SAKIESTEWA: Would it be helpful to have something in place? Or I was just writing here -- okay, there is a penalty, they have to give a percentage of the sale and the profit. I mean, it seems like a lot of work for everybody. MR. SWAFFORD: It would be helpful if it could -- why should a concessioner pick his successor? I mean, we go to all this trouble to pick a concessioner, and then we just turn it back on it and let a concessioner pick his successor.

MR. LINFORD: Well, I can see reasons why a concessioner would want to pick his successor. I mean, most of them are financial --

MR. SWAFFORD: Sure.

MR. LINFORD: But, I mean, you do approve the transfer, I guess, so you could certainly look at the buyer and make sure that he is as qualified as --

MS. RHEA: And we do that.

MR. NAILLE: What is an example, without naming names, what type of product? What are we talking about?

MS. JENNINGS: We just had Back Country Bikes where we just renewed contracts for those, and one of them sold within a few days of issuing the new contract.

MS. GOOD: I would like to interject. Our problem is that we had so many of these small contracts extended for years and they would have sold earlier, but if they had, if we had issued the contract when they thought we were going to, they would have lost their right of preference because they have to operate two years, you know -- the new one would have had to operate two years, and anticipating us issuing it, and we did not, we extended and we extended, and so many of them want to retire or get out of the business, and they have just been waiting for our new contract to keep that right and preference in place, and then they will go ahead and sell it.

MR. SWAFFORD: So they are selling their right of preference.

MS. GOOD: Maybe.

MR. NAILLE: But aren't we doing a (indiscernible) with that right of preference?

MS. GOOD: Not on the --

MS. NAILLE: Oh, that is right, class 3.

MS. JENNINGS: That is where you see the majority of the sell transfers.

MR. NAILLE: That is where they are.

MS. JENNINGS: Yeah. But it has been --

MR. NAILLE: But isn't that a much simpler contract to put together, though?

MS. GOOD: Much.

MR. NAILLE: Did we not look at that as -- is that the one we looked at?

MR. VOORHEES: Yeah, to streamline.

MR. NAILLE: Did we not streamline it enough or recommend streamlining it enough? Is it too difficult to do? Or no?

MS. JENNINGS: I do not think it is difficult to do, but I think that, just as Edna was saying, you know --

MR. NAILLE: You just got too many of those going on?

MS. JENNINGS: Yeah. I mean, the backlog, I think, is really affected for these operators.

MS. GOOD: For years, for years.

MR. NAILLE: And Dick, you are saying in the Forest Service they have to operate it for two years before they can sell it?

MR. LINFORD: That is right, successfully. I mean, you could get to be a profitable outfitter who meets all the criteria for two years and then the new operator is on probation for two years.

MR. VOORHEES: But I am sure that there are creative ways around that, as well. You bring in your buyer basically on a contract to you, so you are still the company, but somebody is operating it on contract who becomes the owner in two years.

MR. LINFORD: Yeah, probably. I am not sure that has been done, but --

MR. NAILLE: I don't want to deal with it now, but it is something to think about for the future, you know, maybe putting some kind of safeguard in there that blocks that a little bit. MR. LINFORD: Although Randy was making the point that in many cases this happened because the sale had been pending for years waiting for the new --

MR. JONES: Well, the Buyer did not want to buy it just because they only had a year left, and then they would not get the preferential rate, so they waited for a new contract to be issued and then executed the sale.

MR. LINFORD: So it is not as nefarious as it might --

MR. HARDY: One issue that we are dealing with on the selection criteria when you apply for a contract, and you respond to a prospectus, roughly 20-30 percent of the points are awarded based upon experience, so any incumbent operator is going to have a leg up on the experience, then, for being awarded a contract. Then when you get awarded a contract, you can transfer to a qualified operator, but it is not nearly as competitive, and so they have -- there is value in those incumbent experiences so that they can -- like you said, it is a financial issue, but an awful lot of the points for these contracts are awarded on experience.

So that incumbent is going to want to hang on and get awarded if they are planning to sell first.

MR. SWAFFORD: You can transfer a McDonald's franchise, but you do not choose your successor. McDonald's finds you a successor.

DR. EYSTER: I think that is a good idea.

MR. RENFRO: That is really only true of McDonald's, but not all the franchise companies, though. Any other hotel company or food company. Now if you have got the approval, then the franchise parent company, but McDonald's does that because they have ownership in most of the stores. And they are backing the real estate.

MR. SWAFFORD: Well, if you have a McDonald's franchise, you walk away from it after 20 years and McDonald's owns the store and everything.

DR. EYSTER: Correct. They own the land on which it is built. That is the only way they can control quality. They tried it before without that, and everything fell apart for the first four or five years. They could not maintain it and it was out of control, so somebody at a meeting came up with the idea of, "We control the land, we control the Franchisee." That is how they operate. Of course, the Park Service does that too.

MR. RENFRO: The thing with McDonald's, though, also, if somebody wants to sell, they will be bought out by the parent company and operated by McDonald's in the interim until a successor is found. That makes it a much different equation.

MR. NAILLE: Thank you, Rebecca.

MS. RHEA: Thank you.

MR. NAILLE: Nick, you are on.

MR. HARDY: All right, thanks. My tenure at the Grand Canyon, it has been seven months, so you can expect a real -- not quite as thorough as Edna or Rebecca could give on their parks, however, most of our operation is based at the Grand Canyon on the south rim, with our largest contract for all of our lodging and the majority of our food being held by Xanterra. We probably all know that they were the incumbent and had the contract for, I don't know, 30 years before this transition to the new contract, so we are working on transferring over a number of new responsibilities with a new operating plan. Also with Xanterra, we are looking at a large maintenance backlog for a lot of their facilities and the condition that a lot of them are in, they are in pretty rough shape. A lot of -- our new contract only allows for a one percent maintenance reserve, so that is not a very effective level of required maintenance because there is much more than is required. There is much more that is required. So if we had said zero percent or .5 percent, or 1 percent, it would not make much difference because there is no denial that at least 1 percent is required to keep these facilities at an adequate operating standard, and I would argue that more is required. So that is a slight weakness of the current contract and it requires some difficult give and take when you are talking about the immensity of some of the investments that are required to bring these facilities up. So Xanterra has definitely has willing to talk about this, but it is a little harder than the old days when we had large capital accounts or maintenance reserve accounts to work with. Just from the field, I can see a difference in the operating quality, facility quality -- actually, just facility quality -- between the north rim which is operated by Xanterra, and has these large accounts, and the south rim where we do not have all the benefit of that. I think you can see that there has been more investment money flowing into the north rim because we have a contract that required that money to be available. So there has been real benefits for some of those outmoded forms of doing capital investment with the old contract forms. But I think that one of the reasons why we did not have more maintenance reserve on the south rim was that we had an awful lot of leasehold surrender interest, and that is basically a debt that has to get serviced. It did not allow for as much money to be put aside in those maintenance accounts, perhaps. But a lot of those issues pre-date myself. So I think negotiations are going well. We look forward to resolving a lot of LSI issues because we also have to allocate all of that debt or possessory -- that leasehold surrender interest into building, so as we get guidance, we will start working with other parks to have a system to track that. But it is fairly complicated now, and I had a nice experience with Xanterra trying to interpret the current contract where they were saying, "Well, you know, we want to do all these investments and we do not think any of it results in leasehold surrender interest," and then I had to read it and say, "Yeah, but you have got a lot of fixtures in there and I read the contract differently. In ten years, are we going to have a lot of arguing over this?" So there has just been -- trying to settle the fine points has been hard and it has affected some operations, so we are looking forward to streamlining those aspects and hearing how things went yesterday. On the north rim, which is currently operated by Xanterra, we are writing a prospectus with Price Waterhouse Coopers. I worked with them on writing a prospectus for Denali and just wanted to also repeat what Rebecca said about the value of that cooperative agreement, that consulting agreement. I have a lot of ideas that I thought could help, like having required financial incentives in a contract to try and kind of spill down from the contract onto the ground level, some sort of incentive for performance. And I was not sure how that could work, I was not sure if the government could receive or benefit from better or worse performance. It was a complicated thing to come up with financial incentives. But with Price Waterhouse, I had a nice partner who had a lot of credibility. It was not just one person with an idea. I could bounce ideas off the team at Price Waterhouse. So we did come up with a financial incentive program where the government would not necessarily benefit from better operations, but we just had a very stringent refund policy for visitors. So I just had a very good partner who could work with me on some creative ideas, and I do not think -- we may not have succeeded in putting creative ideas through on a contract if we had not had that partnership going. Also, a lot of folks who read the prospectus said it was much more understandable, it was much more straightforward, so that the partnership was very beneficial. And we look forward to working more on the North Rim prospectus which will be coming out. Also, we have a gift retailing prospectus that is currently operated by the Verkamp Family for almost 100 years, and we hope to come out -- we will come out with that in the next year. So that is one other prospectus that is large that we are coming out with. Of course, we have the Colorado River Management Plan that we are working on, and that is very contentious because we have proposed wilderness issues and concessioners and wilderness groups in the Park Service deciding how much, if any, motorized use is appropriate there, and also what the mix should be between private or independent operators and the concessions operations. So that is just a very difficult issue that has been talked about for years. And the CRMP will be coming out in 2004. We have a lot of incidental business permits and look forward to the CUA revisions. I know that there was some exclusions for bus operators in those, but yet we have a lot of operators also who are wondering what the future holds for them. This year, we have had full comparability reviews in both lodging and food and beverage. That is a big operation when you have maybe ten different types of lodging in your park and almost 1,000 rooms. So it is an awful lot of looking at operations, and a lot of negotiation. Also, the same with food and beverage -- we have a very large and varied food and beverage operation. We have been implementing the core menu, and I will speak about that later. But basically, because we have cafeterias, we have gourmet dining, and we have everything in between, we might be a good test case and it is also great that we have people from Yellowstone here, too, that can talk about the challenges of implementing standards with such varied food operations, so we will discuss that later. One other issue that I am exploring at the Grand Canyon is expanding some use of consultants for our evaluation program. We have had our concessioner say that we hold them to unreasonable expectations in a different bar for evaluations than our comparables are held to. Well, perhaps it is time for us to have an outside entity look at this. So this sort of phantom shopper program, or evaluation program, I will be looking into. With the Franchise Fee Program, I can invest the money to try to work on that and do a little pilot program, and perhaps have some evaluations done outside. It is pretty hard. We really are asked in the Concessions Program to have some background in accounting, investments, facilities. I mean, there is such a slough of operations, we cannot be experts in all. So we will be tapping into some outside expertise. For instance, you know, I cannot really tell what a great pate foie gras is, you know. In Alaska, we did not have a lot of fresh pate being made. So we are just going to tap into some outside expertise to see how it can work. But certainly within the industry, it is a huge industry to evaluate lodging and there are a lot of companies willing to do that, so we will be looking into that area. My last issue to explore is just the issue of staffing in our Concessions Program. We have a staff of six. We lost one person last week who moved on. We also have three other persons who have been in my program for more than 20 years. They will be retiring in the next two years. So we are going to see a lot of turnover in staff, and I am really excited to work with Jim Eyster, Phil Voorhees, and other people to talk about potential for tapping into the hospitality industry and the educational background on that so that we can start recruiting more from those programs. So I think we can talk about various hiring authorities to tap into that expertise, perhaps some fun sources, perhaps -- there are some scale economies. I think we need to work on selling ourselves and being more proactive to tell people how great the Concessions Management Program is within the Park Service -- great opportunity, and maybe we can develop as a group and -- Cindy supports this as well -- just trying to help small parks out in inviting people into Concessions because a lot of them have not tried to recruit in this area before. That is all. Any questions? Please.

MS. SAKIESTEWA: I was recently back at El Tovar and I was wondering if there was a like a green standard for hotels and gourmet service because I was sitting there counting up the number of times they changed the table clothes, thinking, "Okay, this is laundry, and it is nice, but do we really need this?" Are there ways to keep it at a, you know, five-star hotel rating that address some of those green issues?

MR. HARDY: There are. And one is we do have an evaluation program on sustainability, our greening program for the parks, so that we have had a group that goes by and does audits. And Cindy and many of us are well aware of this. But we are starting -- the program began perhaps two or three years ago -- going and actually doing evaluations of these programs, to tell them, "Hey, you could improve your operation here if you used fresh linen less often," etc., so that there is a program of that sort. And we do evaluations on that, and actually I do see opportunities for growth within the various parks. For instance, we had a Concessioner apply for a national program, and they sited their gains and how well they had done at the Grand Canyon. And I wrote back and said, "Yes, but there is a lots of room for improvement." So I think we are nationally -- the program is really building steam as far as sustainability in parks. We are sending groups out to do those consulting practices. It has not been done on the South Rim, but it is being done on the North Rim right now, so I think it is something that has really been building steam over the past three years with our own program. The other thing is, as a bid element, when a concessioner bids, they can state -- you do get points for your sustainability program, so there has been a real incentive in the bidding aspect for parks to develop that expertise and to be able to say that their -- I don't know, is it ISO 14,000 or something? There are various standards that they can adhere to, or state that they will adhere to when they come and operate a contract. So that is the other aspect, as a bid element they get a lot of points for sustainability issues.

MS. SAKIESTEWA: So sustainability really should not affect any kind of already established hotel 5-star certification either?

MR. HARDY: Should it -- well, we do not do 5-star certification currently, but yet on the evaluation program, we would state on there, "Hey, we think that there are shortcomings in your program here." So it does not affect the star rating, but it is part of our evaluation program which happens regularly.

MS. SAKIESTEWA: Okay, all right.

MR. HARDY: And we can also -- I would love to talk to you about it later.

MS. SAKIESTEWA: Okay.

MS. ORLANDO: You might have some of the concessioners in the room address that. They have been very aggressive in the last couple of years, as Nick eluded.

MR. TEDDER: Yeah, at the El Tovar, we do have our programs in place on towels, as we do here, in your rooms. What we do post is that if you do not want your towels changed, we will not do that. As Nick eluded to, to look at either a AAA or a mobile 4 or 5 diamond, you are right, you would not qualify if you did not change your sheets. And so those are some things that the Park Service will have to address in their evaluation process going forward on, can you maintain those type of ratings, but then make adjustments for that because you are operating inside a park.

MS. SAKIESTEWA: Well, I guess that is really the answer I am looking for is that I think the four-star -- I think it is reprehensible that you have a four-diamond rating that is not green. That is my personal opinion.

MR. HARDY: Well, we do not, actually.

MS. SAKIESTEWA: But it seems like the Park Service, if you are doing a good job already in this area of sustainability, should not be penalized for that, and the public perception, in fact, should be not only is this still a four-diamond establishment, but it is also a four-green diamond establishment, so that you are still competitive, but actually kind of leading the pack here in the hotel business.

MR. TEDDER: And I think, again, the concessioners have taken quite a lead in that over the last few years on moving forward on environmental protection and what we are doing in the hotels, such as with the recycling of aluminum, cardboard. A new permit that we put in the Grand Canyon this year with the recycling. And I think we doubled or tripled the amount of tonnage that we are taking out of the park in recycling materials. And likewise here in Yellowstone, which has been going on for a great number of years.

MS. SAKIESTEWA: See, and I think the general public would be really supportive of that.

MR. TEDDER: Oh, they are, yes, they are.

MR. RING: There is nothing comparable to like a lead survey that we use to rate the sustainability of our construction designs when it comes to the operations of things. There is nothing in the industry that --

MR. TEDDER: No, there is a green hotel program which we have become a part of, and there is also lead certification which we are working with Edna to look at moving forward on when we build some new housing up in the Mammoth area --

MR. RING: Right.

MR. TEDDER: -- to be lead certified in that housing. So, yes, we have already moved forward in looking at those different types of categories. Another one at Grand Canyon, we replaced all the boilers from heavy fuel from kerosene to propane, again, to reduce emissions and those are the type of things that we are looking at throughout all our parks.

MR. VOORHEES: Who operates the green hotel program?

MR. DILLINGER: It is operated by an agency out of Houston. And, you know, with the tens of thousands of hotel rooms in this country, I think -- is it, Steve, there is like 50 members of the green hotel association? And probably 15 or 16 of them are in PS (phon) hotels right now. So, as a percentage, we very much are in that leadership group.

MR. NAILLE: A little bit first from Gary, and then Eric, and Dick? Do you want to say something too?

MR. RING: No, I am just trying to get -- is the message here that we are picking the wrong rating system for hotels? Or we are looking for five diamonds when we ought to be looking for a rating out of this green hotel program more?

MR. TEDDER: Well, you run into an issue, again, when you look at comparability, and when you try to approve rates based on the comparables outside the park, what they are doing, and the standards they maintain vs. what you are doing inside the park. And so, again, those are some things that have to be taken into consideration through the evaluation and I guess in the new direction of coming up with the new standards on if you are going to establish a four-diamond or five-diamond for inside a national park, those are different ratings than what is established outside a park.

MS. ORLANDO: Right. And Steve eluded to we have a very active standards evaluation rate approval work group which Steve and Joe are members. And we are working on those issues.

MR. FRAKER: I would just mirror what Steve said. I think all of the operators are prudent and aggressive in developing, you know, better cutting edge environmental programs. Delaware North, you know, our program is ISO 14,001, and Green Path, and as part of that it requires you to look for continuous environmental improvement. So annually you are audited on that and you are always looking for continuously raising that bar, be it in whatever type of operation you are providing services for in the park.

MR. NAILLE: Eric, did you have --

MR. DILLINGER: As an extension to what Dick said, there is a new version of leads under development, and it extends the sustainability criteria into the operations maintenance environment. So instead of just doing buildings that are green from a design construction standpoint, it extends any buildings that are efficient and sustainable from an operator's viewpoint. It does not address perhaps the restaurant issue, but in a second comment there are some innovative strategies coming out now that mirror what is happening in the rooms with respect to guest awareness and helping the guests make a choice that involves the sustainability and involves how the perception occurs in the dining area. So to say in an elegant room, this has intentionally been done this way to be sustainable because you are on a national park has created sort of the breathing space to do things that would not be approved in a five-star environment by acknowledging the environment and adjusting, just like you do in a very nice hotel, but nonetheless says, if you hang up your towels, we will not change them out. And they are not intending to get big for not changing out -- you know, for having that policy in place because they have the ability to change them out.

MR. NAILLE: Excuse me, I did not get your name, but you are with the Lodge company?

MR. O'NEIL - Bob O'Neil.

MR. NAILLE: Bob O'Neil, thank you.

Mr. O'NEIL: I think that everybody has mentioned some very important things, and unfortunately we only see what we see. And I think all of the concessioners, certainly the Lodge Company, has pushed for an ISO 1400, which is the basic standard nationally -- or internationally -- on environmental issues. But there are things that are done that are more impact, but less visual. We now buy wind-powered energy for one of our entire operations, so from a Wyoming based company, that is a huge environmental standard. Fleet maintenance, whether the hybrid we drove up today, or the hybrid that Xanterra or Delaware North buy, the approach to changing fuels, it is harder to project that, yet it has a greater impact on the environment than some of the other things we have talked about. So those infrastructure changes are just as important, maybe more so, harder to relate to than the visitors. Fortunately, the park picks up on it really well.

MR. VOORHEES: I have a couple of things. First, Joe or Cindy, if you can get the Board information on the green hotel certification?

MS. ORLANDO: Yeah, and actually capturing this for a potential presentation at the next meeting. We have a very active environmental program and I think we could benefit from a presentation.

MR. VOORHEES: Second from a partnership standpoint, I do not know the extent to which the Park Service interprets, if you will, the sustainability progress that concessions partners are making in things that are substantially invisible to the visitor, but I think that would be information that is of interest to the visitor that the park service might do well to talk about more. You know it is not necessarily. In your own bailiwick, it is certainly in the bailiwick of important partners of yours.

MR. TEDDER: Those are all things that we are moving forward into, again, to let the visitor be aware of what we are doing on the amount of tonnage or so that we recycle, how we are protecting the environment on the restaurant side. Again, from a sanitation standpoint, if you are using table clothes, you have got to change the table cloth. We are working on looking at, then, can you look at using tables where you do not use tablecloths, depending on the quality of dining that you want, or go to place mats, or go to cloth napkins rather than paper so you are not using so many paper, but you then can re-use the cloth mats or cloth napkins. The other things that we have rolled out this year is the Green Mountain coffee, which is organic and also fair trade coffee, and then also a wild trout program. Again, these are things that you can add to the restaurant to get away from farm raised -- not trout, salmon. But those are things that you can from an environmental prospective and, yes, we need to do a more aggressive job in getting that out to the park visitor.

MS. SAKIESTEWA: Yeah, I think that is really great.

MS. ORLANDO: Interpretive programs as well.

MR. HARDY: It is a great question and the other thing, part of the big issue of the necessary and appropriate is, well, the Park Service has a mission to educate people, so just the other aspect of concessions, the partnership between the interpretive teaching elements of our parks and the concessions area. We are about to recruit someone, an interpretive specialist, to work in concessions where we look at all concession operations, develop a plan, and we say, "What are our opportunities to teach?" And in many cases there will be environmental aspects. In other cases, it will be interpretive aspects like 100 years at the El Tovar, etc. And then we are just going to develop a multi-year plan on, "Hey, are we making the best use of all these opportunities to teach people?" For instance, just having a much more interpretive aspect to all concession operations when we have opportunities like this. And currently, I guess, when you were at the El Tovar, you did not walk away with the feeling that you were getting too much information on this aspect and we will keep just looking service-wide at all of our operations on what we can do better.

MS. RHEA: Not to one up Nick, but at the Teton's we already hired that person. They are working for me right now -- tasked specifically to work with concessioners and their staff, guides, their front desk staff, the whole operation on conveying better information to the visitors. And then I also wanted to comment that I looked through the handbook in my room last night and was quite impressed by a pretty detailed description of what Xanterra is doing here in your environmental program.

MR. NAILLE: I want to ask before I go to Gary -- is that new position part of the two people that include yourself now? Or is that a third person that you lied to us about? You do not have to answer that.

MS. RHEA: The third person! But right now it is a summer position only, but I am hoping it will work itself into a permanent year-round position.

MR. FRAKER: I just wanted to comment -- you noticed I came back up -- I think part of the things is the operators step up to the plate and they accept more and more. They try and develop more and more, and be much more proactive on an integration basis with the Park Service in trying to sustain and reach the goals of the Park Service. There are things like in this contract we have a full time environmental interpretive person who has a Master's degree in Environmental Science, and her soul mission in life as it relates to this contract is working with the Park Service in developing and enhancing those programs.

MR. NAILLE: And I think Xanterra has -- do you still have an environmental?

MR. TEDDER: Yeah, we have an environmental director on a corporate level, and then also by requirement of the new contracts going forward to either have collateral duty or an individual person in the new contracts for strictly environmental management. We have hired an environmental director for our Grand Canyon operation, for Bryce Zion the North Rim, we just hired one this year. For that operation, and then collateral duty at our new Crater Lake operation.

MR. NAILLE: I also want to speak on behalf of the Park Service because I actually attended a superintendents conference of the Intermountain Region -- Keystone -- two years ago, which really to me focused on sustainability issues, on that, and they invited me to talk about sustainability. And I remember going over to NIIU to get some education before I went to talk on that subject. But I thought that one of the big things I thought that the Park Service was pushing towards, and I do believe that they were working in that direction, is that the parks are the educational opportunities for the public, and that the public will learn in parks wherever they are, and so that that whole sustainability aspect of concept of education will start in the parks and hopefully hotels outside the parks will then start to pick up on what is going on internally.

MS. ROSEN: Can educational programming also extend into the retail stores that are within the park system? I noticed yesterday when I visited a park store that employees did not know what was handcrafted and what was not, and pointed out very manufactured and even imported things to me that they thought were American crafts.

MR. NAILLE: Okay.

MS. ROSEN: So I think artists with videos in the store situations might be a good addition.

MR. HARDY: I guess we do have a requirement that all hand-crafted items -- actually, all items that are not handcrafted, but look like they may be, they need to stay not handcrafted, so perhaps it is a training issue, but we do have a standard in place to address that. It just seems like it was not fully -- it may not have been fully appearing on the floor level.

MS. ROSEN: It was not yesterday, I assure you.

MR. HARDY: Thank you.

MR. TEDDER: Down in retail, we do have educational programs that we do go through training on our employees. Again, you know, this is the start-up of the season, so there could be some that were missed, but there are a lot of other programs, too, not only from -- again, that is also part of the new direction contract language somebody already mentioned about more of an interpretive direction in merchandising, definitely a lot more emphasis on that and, with all concessioners moving forward on providing interpretive merchandise and providing training to ensure that we carry that fully. In addition, that from an environmental standpoint, to work with our vendors and suppliers and buy-back programs, pack-in programs, and those are some of the things that the guests do not see, but that concessioners are doing, and have taken on more of that responsibility going forward.

MR. NAILLE: Okay. I think that was a good discussion. And thank all of you for impromptu -- it sounds like you were more prepared than you acted. Anyway, it was great to hear from all of you, it certainly is. And I hope we get more of this in the future. So, good job. We are going to take the lunch break at this point in time. The food should be set up by 11:30, which it is past that. Let me just tell you kind of what is going on this afternoon. Swimming classes are -- actually, believe it or not, we did not get to anything that I thought we were going to get to this morning from this afternoon's agenda. So we will reconvene at 1:00. You need about 15 minutes? Or do you need longer than that?

MR. LINFORD: I think 15 minutes or 20 minutes.

MS. ORLANDO: Yeah, but we have got to set the phone up and everything --

MR. NAILLE: So what do you want to do, not do him first? Or --

MS. ORLANDO: No, let's try to get the phone thing done.

MR. NAILLE: Okay, so we will have chat time at 1:00, group dynamics 2:02 -- uh, 1:15 will be the update on the rate approval program, and then we will just finish up the rest. Dick and I both have a couple things to say, and Jim is also part of mine as we go forward on this, and then we will roll into Other Business and Public Comments. So those of you that are here for Public Comment time period, make sure you are back here after lunch because I do not know how long this will all take, and we may roll faster than this agenda up here.

MS. ORLANDO: And if you are preparing or presenting public comment and have a written statement, we would like to have that for the record. Please provide it to Marika.

MR. NAILLE: Okay, adjourned for lunch.

(Off the record.)

(Back on the record.)

MR. NAILLE: We are back at it. Update on Rate Approval Program. This is Nick Hardy. Have you got Dee on the phone?

MR. HARDY: She is going to dial in because we have a long distance call block, so she is just going to dial us in. And while she is calling in, you should distribute the core menu booklets there in the back of the room. It has the green cover on it. If you all do not have one already, we will pass them around. Rather than giving a Power Point presentation, which we all love, we are just going to let you read off the pamphlets. So just one minute.

MS. ORLANDO: For everyone's benefit, Dee has been ill and was not able to travel, so I know you will join me in wishing her well and thanking her for taking the time to expend some energy with us. But this has been one of her very passionate programs.

MS. HIGHNOTE: Nick?

MR. HARDY: Well, you are on and if you cannot hear, if people ask questions and you cannot hear, then we will just have someone repeat. But hopefully you will be able to hear everybody.

MS. HIGHNOTE: Okay.

MR. HARDY: So we have distributed the booklet, so I guess if you want to walk us through it and then we can discuss with some in-the-field comments from myself and anyone else who wants to talk about it.

MS. HIGHNOTE: Okay, great. So everyone has in front of them the Powerpoint, the slide presentation? Is that correct?

MS. ORLANDO: Yes.

MS. HIGHNOTE: Great. So we will start with the Overview, which is on page 2, and what I plan to do is give you a background of the core menu process, how we got started, and where we are, the background of the survey, what it entailed, the application, the effectiveness of the core menu process, the overall rate approval process, what we found -- we had a question on that in terms of length of time, and then what our recommendations are for the core menu process as a result of this survey. So we will turn to the next page, which is the Background. I will give you a little background on the core menu. This process was developed by Blueridge Parkway independently in 1998. It was found to be very acceptable by the concessioners, as well as the Park. It was presented to the Advisory Board and they recommended that it be implemented in 2000, service-wide. You have in your packet the memo that went out to the park, implementing the core menu process. I believe that memo was September of 2001. The purpose of this survey was to do an evaluation of the core menu. Before I go any further, what I would like to do, because I am not sure how many are familiar with the core menu process, I would just like to go through what that process is so you can understand what the park has to do and the concessioners' responsibility.

The concept itself was developed to provide a more fluid and professional procedure for approving food and beverage rates. In the past, the way food and beverage rates were approved, it was a very in-depth analysis by the National Park Service. It was very complex and included multiple varies because of the food and beverage industry in itself. This process was developed as an option for use by the Concessions, and the determination as to whether to use or not to use it is to be something that is done as a consultation between the park and the concessioner. The knowledge of the park and the concession needs to be very much taken into consideration and you need to use the local appropriate businesses when you are establishing your comparables. That is the first step is establishing your comparables for the core menu. These businesses, we require that they should be located in the same geographical regions of the concessions facility. The concessioner is also allowed to recommend potential comparable facilities, however, the final selection of the comparables is with the park. The selection factor, there is only one selection factor in the core menu process, and that is competition. Any comparable that you use has to be a business that is in competition, and they have to have at least two or more competitors. There is also the availability of establishing some special screening factors such as similar services, similar facilities and clientele that can be established by the park to help evaluate the similarities of the comparables that are being considered. One caveat that is not in this process that we have put in there is that parks need to pay special attention to those food establishments that are located in clustered areas or locations such as resorts where the demand exceeds the availability and the rates may be higher than those found in a more competitive area. That is one caveat that is in this process. Once the comparables have been selected and agreed upon, then it is just a matter of collecting the menus of those comparables and then, at that time, you have got all the data that you need. Before you begin the actual rate approval, you need to develop your basic core menu, and that is something that is done between the park and the concessioner in terms of determining what are the things that you want on that core menu. You need to identify the specific food categories and items that are standards on the comparable menus and that you want as the core menu. It needs to be developed locally and it definitely needs to represent the needs of the park visitors. And it needs to include a pre-determined number of food and beverage selections, and food categories need to be identified such as appetizers and the entrees, and the beverages and desserts. One thing in this process that we have found is that it is not appropriate for river runner operations, mountain climbing and back country operations. Once you have developed your core menu, then the rate approval process is fairly simple. You have identified your type of food service, it is for full service, or it is a snack bar, a coffee shop, fast food, or fine dining, whatever, then you take and you determine the core menu rate by looking at the comparables, and you can average the rates for those comparables, however, it is unacceptable for the park to establish a rate of ranges and then approve only the high end rates. One thing that we have added into the process is that the core menu has to include national interest and expectations and normal health considerations. That has to be part of the core menu. The non-core menu items are things that can be added by the concessioner. The rates have to be established based on comparability and the market because by law that is what we are required to follow, and the rates are approved, even the non-core menu items have to be approved by the Park Service because by law we are required to prove all services and rates. But that process is very simplified. It only requires the park to recognize the non-core items to assure that the total menu is acceptable and that the park is aware of the portions and the rates. And that is basically a quick and very -- of what the core menu process is. And does anyone have any questions before we go into the survey?

MR. HARDY: I wonder if conceptually everyone understands, to even step further back, what we are talking about here? It is basically we used to review the prices for every item --

MS. HIGHNOTE: Right.

MR. HARDY: This is a movement away from being so exacting and taking so much time so that we instead will have key items in different food groups, from like maybe a beef, a chicken, a beverage, etc., and we will control the prices on that smaller list of items, and then other items, while they still need to be a reasonable value. But basically it kind of allows the concessioner to not have to go through such a cumbersome review process on the rest of the menu, and then they can also have competition within their menus against these core menu items. For instance, if we control that a broiled chicken is going to be $7.95 at a restaurant, well, then you can bet other chicken dishes are going to be within that range. And if the concessioner has a more labor intensive or a different spin on something, well, then, the visitor can choose whether they want to go with a higher end item, well, then fine. But it just seemed like we do not need to be -- we can free the concessioner to be creative as long as we control a portion of the menu. So that is just a back-up conceptually for those who have not been part of this process in the past.

MS. HIGHNOTE: Right, yes. And again, in our guideline it says that the approval of core as well as non-core items, do not have to be tied to specific portions. And, like Nick was saying, in previous times when we did food and beverage rate approvals, we were looking at portions and sizes of hamburgers and the beverage sizes, and everything else, and this process gets away from that. Any other questions before we go into the survey?

Okay, the concept has been found to be consistent with the private sector and it is acceptable under our current law, the '98 law. Okay, so if you turn to page 4, we will get into the survey. There were three purposes for this survey, 1) we wanted to find out the number of parks that are using core menu, 2) we wanted to determine the effectiveness of the core menu, and 3) we also wanted to look at the overall length of time of rate approval process. This survey was sent to all parks and concessioners. We also had a follow-up survey that went to those parks that are using the core menus. The survey research includes only responses where we got responses from both the park and the concessioner. Several parks submitted the surveys, but the concessioners did not, or vice versa. So in order to do a detailed analysis, we could only really take into consideration the responses that we got from both park and concessioners.

Okay, if you look at page 5, this goes over the application of the core menu. We currently have 590 concessions contracts. Of those 590, 129 operators report only as having food service. Of those 129 operators, we received 76 surveys back. Of those 76, 35 responded that is using core menu. And as I said earlier, we had a supplemental survey that went out that was asking five questions in terms of type of service and length of time since you started core menu in comparing it to when you did not use core menu, and I will get into that in just a minute. Of those, only 29 responded of the 35. Hold on, I have got to shut off my cell phone. Somebody is trying to call me. I forgot to do that. Sorry.

Okay, page 6, Effectiveness of Core Menu. Okay, this is measured by impact on the length of the rate approval process. And if you look at the pie chart, you will see that 21 percent of the response indicated it was a longer rate approval time for them. Fifty-five percent indicated that it was a shorter rate approval time. Twenty-four percent indicated that there was no change. Down at the bottom, prior to core menu, the mean, which is the average, shows that there was a 24 -- hello? There was static. Did you hear the static. Okay, you are clear now. Am I clear? Okay.

MS. ORLANDO: You are doing very well, Dee.

MS. HIGHNOTE: Okay. Prior to the core menu, the average length of time which is the mean, was 24.6; after the core menu, it was about 20 or 21 days. The typical value of prior to core menu was 30, and after core menu it was 14. This is based on the 29 surveys that we got back on the supplemental, and this was measured by comparing the length of rate process, after the introduction of core menu, to the length of the process prior to the core menu. So you can see that there is substantial changes. Some of the reasons that were given for increases after the core menu related to several -- it went across the Park Service -- insufficient park staffing was a predominant reason, introduction of new food services was another reason, difficulty in citing direct comparability due to service level, the high end restaurants -- and I think Nick is going to address that -- or special types of food -- organic, so it is difficult to find, significance of rate increase requested by concessioners. Also, our concessioners, when they submit the rates request, they do not do it just for food service, they do it for all of their services and, again, that is very time consuming. And with the insufficient park staff, that was a lot of the reasons they felt that the core menu did not really decrease the time for rate approval. Nick, do you want to add anything to that?

MR. HARDY: Sure. I will just state that some of the difficulties we had involved any new system takes some ramp-up time to get familiar with it. Now, in the past, all of our staff and some people who are not 100 percent concessions specialists, they might have other duties as well, when you ask them to begin a whole new process and look at things in a new way, there is a ramp-up time for getting familiar with it, so one issue I raised with Dee was just that I think that we have got some bumps to iron out in the guidelines, but I think we are going to see continued time savings. I just felt that a lot of people were not completely clear on how to implement this and there is hope for the future as we get used to it. It is a very new way of approaching things. One example in particular was Xanterra. We only wanted to review the core menu items originally, maybe one-quarter of their items, yet they came to us with all of them and said, "Well, can we have your approval" because they do not want us to, after the fact, decide something was not fair. So I think it is just an issue of both sides getting more comfortable with loosening the reins across the board. Another issue was -- Dee, should I mention just the high-end restaurant aspect?

MS. HIGHNOTE: Yes.

MR. HARDY: So, for instance, if you have a gourmet restaurant, comparability says that you are going to set prices on core menus exactly equal to the average. You are not just going to look at a range of comparables and give them the high end. Well, that is pretty hard if you really do have a gourmet restaurant. For instance, if you have some sort of duck reduction pate on top of your filet mignon and it is a select piece of meat, well, that is an awful lot of factors to deal with, and maybe you do not have a comparable in the area that serves food of that quality. For high end restaurants, it is pretty hard to adhere to the strict guideline of going right in the middle. So in this situation we had a lot more negotiation points -- how do we interpret these new guidelines? Where are we going to roll back prices if we need to on core items? Because a lot of our items were in the higher spectrum with the comparables. So it just meant that -- I was not sure how other parks had responded to this, but from our opinion, a lot of negotiation and a lot of work, but I think it is start-up costs and that we are going to find things moving smoother in the future. Another difficult issue was -- this is a pretty technical thing when you are talking about setting prices and arguing over 10 or 15 cents means a lot to the concessioner. If you do not have a lot of staff time to allocate to that, it is hard to get into quality issues. For instance, you can get chicken at McDonald's or you can get chicken at Denny's, or you can get chicken at a gourmet restaurant. How do you really get at the quality, the preparation time? And a lot of these issues require going out and eating the meal and looking at the food on the plate, and really getting into pretty subjective issues on quality. So just one issue that I thought we could clear up on the guidelines is that, in parks that have high-end dining, but also a choice of budget dining, I think we can loosen the reins quite a bit on the gourmet side because that is a real choice issue. Not everyone has to find the gourmet thing to be affordable, so I think that in some instances looser interpretation of some core menu aspects at the high end restaurants is fine because not everyone visiting your park has to go to that gourmet restaurant. So I am talking about small tweaking on the guidelines to allow the process to go faster. And then we have some classic issues that are hard for setting prices like, "Hey, this comparable includes a salad, these folks' don't. Well, how much is that salad worth? Hey, we have an 8-ounce select steak here and we have a 10-ounce choice here, well, how do we make an adjustment for that?" And there is guidelines on it. But, you know, it is technical, so it is just -- we just need to go into a little bit of detail and provide a little more guidance. But I thought those things could be worked around.

MS. HIGHNOTE: And it is like Nick was saying, we need to make it a little more flexible, but we are trying to make sure that we do not make it as detailed as the full comparability study was because, as we all know, that takes a lot of time and effort and what we were trying to do is come up with a process that would serve both parties, both the park as well as the concessioner.

MS. ORLANDO: Right and if I could -- oh, I am sorry -- if I could just add to that, the driver of course is Section 406 of the law, which tells the Park Service, directs the Park Service that the rate approval process be as prompt and as unburdensome as possible. And then out of that flows the charter of the Advisory Board, and hence the direction that the Board gave the agency to move in this direction. So I want to make sure everybody understood the foundation of what we have been trying to accomplish here.

MR. HARDY: I have been working on this for, you know, I have been doing this for four years in the Park Service. At Denali we had one restaurant, no, two restaurants. And then I get to the Grand Canyon where we have many more running the whole gamut. So I would just say anybody else here with field experience and a different view should speak up because, you know, I am speaking with one year doing this and implementing at Grand Canyon. So I am not the authority on this, I have just done it at a lot of different types of restaurants this year.

MS. ORLANDO: I am sure it was Mr. Tedder's experience with Grand Canyon that prompted this immediate action.

MS. RHEA: I would say that our experiences start-up is real similar to yours and that the Guideline really did not make it sound as though the concessioner needed to submit their full menu, but we really could not do it without looking at the full menu, even though it did not go to every individual dish and improve it specifically. We tried to look at a range of prices as well as the comparable items, and we had to keep changing our menu of comparables because if we could not find them on several menus outside the park, then we had to come up with something else. So it required a lot of adjustment.

MR. HARDY: And we can also address that. For instance, what do you do if you cannot find a core item? Some people in the field could probably use some direct guidance on that.

DR. EYSTER: Do parks talk to each other when you cannot find a local competitive core item to see whether Grand Canyon is somewhere in line with Yellowstone?

MS. RHEA: Not really. We really focus on the specific park and those establishments identified outside the park.

DR. EYSTER: I guess my question was where you cannot find comparables. What is the fall back?

MR. HARDY: We are implementing a network for sharing information. It is not fully online yet, so a lot of it is just calling the people on your resource list and saying, "How did you deal with this?" But yet sometimes people really feel -- they do not want to blow it, they really want to do the right thing, and they might pay too much attention to what is on paper, and when you know a phone call can gain your confidence in your own interpretation of some things, for instance, when you cannot find good comparables, well, what are we supposed to do? So, yeah, I don't know, I call people. I look for help.

MS. CHURCHWELL: Dee?

MS. HIGHNOTE: Yeah.

MS. CHURCHWELL: I would just like to interject. This is Judy Churchwell.

MS. HIGHNOTE: Hi, Judy.

MS. CHURCHWELL: How are you? To me, it sounds like in talking to some of the other concessioners, especially a lot of time is being spent on trying to find exact items, and I do not think you ever will, and I think that is kind of a waste of time, but I think you can find similar items and then just make some judgment calls and use some common sense on, "Is this similar, you know, is it pretty much the same item?" And then, just a quick comment on the fact that I think there is different approaches to the core menu and some of the interpretation because, while we have never spent as much time on some of the higher end dishes, wines, appetizers, whatever, that people simply, you know, some people can afford it and some cannot. I guess I would like to caution that, while some of the fine dining establishments, while maybe it is not affordable for everyone, I think we still have a responsibility to make sure that the general public can eat in places like the Lake Hotel and New Faithful Inn --

MS. HIGHNOTE: Right.

MS. CHURCHWELL: So I do not want us to get too careless about, "Well, those are top of the line, high gourmet restaurants, and people can eat there or not depending on their pocket book.

MS. HIGHNOTE: Excuse me, is someone there taking these notes that I could get the contents and what have you back?

MS. ORLANDO: Yeah, Marika is here.

MR. CORNELSSEN: Hi, Dee, it is Curt. How are you?

MS. HIGHNOTE: Hi, Curt.

MR. CORNELSSEN: I wondered if you could take -- I do not want to complicate matters, but could you take the core menu concept and, to the extent you could not find a comparable, could you use the cost build-up approach? In other words, use --

MR. HARDY: We have hired a consultant.

MR. CORNELSSEN: No, no. I mean -- on a new menu item, you really have --

MR. HARDY: We actually did, we just did -- we would look, for instance, how could we use as a basis -- what financial justification is there to allow adding a quality item? So we did. I guess that is what you mean by cost build-up approach?

MR. CORNELSSEN: Yeah, well, you could just use cost factors, like you look at standard food cost factors as a percentage of total menu price. There are some industry standards that are out there.

MR. HARDY: Yeah, what we went like for instance with the steak issue, if someone had 10 ounces and another had 8 ounces, we would say, "Well, the steak is -- let us call it 60 percent of the cost of the plate, and then we will allow a percentage on that." So we developed a method that made sense that we both agreed on for that --

MR. CORNELSSEN: Okay, so that is a similar approach.

MR. HARDY: Yeah, but a little bit of guidance to the field would be good on that so we would be uniform.

MS. HIGHNOTE: Right. That is something that is needed to be added.

MR. SWAFFORD: I actually did that in Sequoia for a season and what I experienced was the concessioner then switched it over to pre-packaged foods so they could cut back on their labor, and the labor cost was already in those pre-packaged food, so then the cost factor --

MR. CORNELSSEN: You have to change the cost factor.

MR. SWAFFORD: Yeah.

MR. CORNELSSEN: You are talking like Sue Bee (phon) or something like that?

MR. SWAFFORD: Yeah.

MR. HARDY: Curt and I have worked a lot, so I apologize for teasing him in a public way. I had a couple of ideas of other areas that we might consider here. I do not know if we are at that point in the discussion, Dee, but just suggestions on --

MS. HIGHNOTE: Okay.

MR. HARDY: Like I said, a few more guidelines on some issues, but one thought for discussion that I toss out, especially to folks who work in the field, one thing is before I think we used to review rates every year because we felt we did not want the concessioner to be stuck with a certain price structure and a certain menu every year, so that we would review things every year so they could have some flexibility with their menu. Well, maybe once we come down to core menu items and the concessioner has more flexibility with half or more of their menu, then maybe their reason to do that review every year might be lessened.

And what I am wondering about is, perhaps core menu does not require full comparability or comparability review every year. Perhaps we could do some sort of indexing so we do not have to review this. I mean, hey, you have got your core menu items, then next year the concessioner can say, "Well, you know, the cost of chicken has gone up a lot." But somehow if we can use some sort of indexing, we might be able to not do this major process every year, but could bypass a year. It is just a thought.

MS. HIGHNOTE: Okay.

MR. HARDY: So it is just an idea for the notes or whoever is in this -- maybe we do not have to do it every year if we could try some indexing. But I welcome any other opinions on that.

MS. HIGHNOTE: Any other comments before we go on?

MR. HARDY: That is it for me.

MS. HIGHNOTE: Okay. The next page, 7, deals with the Overall Rate Approval Process. That was one of the questions that was addressed regardless of whether you had a food operation or not. It was asking what the average length of time for having rate approvals and this is the result. This is based on a match survey. Remember I said we went through the surveys and those that we got responses from both the parks and concessioners, that that is what we looked at. This is based on 250 and, as you can see there, the concessioners are suggesting a faster response time than what the parks did. The average is 21 days for the parks response, and the concessioners are saying approximately 17 days. So the typically value of the median is anywhere from 10 to 15 days. These are work days. That is the way the question was addressed -- work days. Okay, next page is going over our recommendations as a result of this survey. We need to identify the types of food service operation that is best suited for core menu because several of the comments that came back from the park, as well as the concessioner was that not all food service types are suitable for this process. We need to provide some streamlined guidance for the core menu adoption. That came through loud and clear. We need to identify where core menu has not been communicated to the field. I did a listing based on the surveys, but again, this is based on those that we got, not everyone responded. But there are 21 of the 76 that has not been introduced to this process. And the only reason that it is not represented is Alaska. Alaska -- their food operations have been introduced to the core menu, but the other regions have parks that have not been introduced to this process. There are 35 that are using it, 21 indicated they did not know about it, 15 were aware, but are not using it, and five that did not respond. So that was the total of the 76. The next recommendation is we need to work with Regional Chiefs to improve the communications and training for parks and concessioners for this process. That came out loud and clear in the survey, so training is needed and more clarification on the guidelines. The Advisory Board recommended that, at a later time after this was implemented for food service, that we look at this process for other types of service, and we are recommending that we delay implementation of this for other services until the concept has been understood and embraced by a larger percentage of the field, and we make sure that they get the training that they need. And that is it.

MS. ORLANDO: Dee, do we at all -- have we built this yet into our evaluation and pricing training?

MS. HIGHNOTE: Have we -- now, this process is addressed in the evaluation and pricing. It is not -- it is addressed in the rate approval process and there is an exercise that they are given, but the last program was addressed and I believe that was probably the first program that it was addressed at.

MS. ORLANDO: Okay.

MS. RHEA: Yeah, that is correct. In fact, Rick Wyatt did the session on core menu at the last class.

MR. NAILLE: Are we going to talk about competitive market and retail?

MS. ORLANDO: Does anyone have any other comments or thoughts on the concessioner side about the core menu? Sure. Steve Tedder, Dee.

MS. HIGHNOTE: Hi, Steve.

MR. TEDDER: Yeah, I just want to address a couple items and again to follow-up from Rebecca and Judy. I agree that we are not always going to find comparable items on the menu, and I think some emphasis needs to be -- and when I say "price range," I am not looking at the averaging here on a like product, but what is affordable for people in the parks. And to have that on the type of menu, I think we should have some direction on that, or concession folks can look at that on, again, making the Old Faithful Inn dining room affordable to everyone. The other thing is also to look at, is there a specific number of core items that should be on each menu, because in some parks we have had more than 50 percent is core and very few that is less than 50 percent.

MR. HARDY: So guidance on -- that is right, the guidelines just say a number, but you are talking about a percentage or a minimum number, or a maximum. You might want to survey parks and see how they are implementing this.

MR. TEDDER: Right, or whether or not, you know, again, 90 percent of your menu is core. I mean, so --

MS. HIGHNOTE: Okay.

MR. NAILLE: Back to my question -- competitive market, declaration on retail items? Were we not going to discuss that? That was brought up a little while ago.

MR. HARDY: I could mention what the reaction was from us in Grand Canyon. There is some concern. We are curious to see how prices change. There is a feeling that there was not -- certainly not a perfect competition atmosphere for a lot of people at the Grand Canyon. However, we do not know the concessioner has told us they do not think there is a lot of room for raising prices right now, though, because the market is kind of depressed. So we are going to see. So there is some fear that we could see a lot of price increases. We asked for a list of all items and prices so that we can check and see whether things do change over the next couple years. The other thing we can do is look at complaints if people do not think they are getting good value, but we are certainly going to monitor how prices do change.

MR. NAILLE: Is any park using this concept?

MR. HARDY: CMD now?

MR. NAILLE: Yeah.

MR. HARDY: We are implementing it at Grand Canyon.

MR. NAILLE: Oh, you are? Oh, okay, I misunderstood that.

MR. HARDY: So there has been a lot of people who were concerned, "Well, where are rates going to go?" And we are going to see, but what I have told our concessioner is this is the direction from Washington and this is what we are going to do. We think that there may be potential for large price increases and a decrease in value, and we are going to look at that. And if we find after one to two years that we are having issues with this, then the policy may change. We are also going to monitor your prices. And then my discussion with the front line managers is, "Well, you know, right now we have a lot more Americans going to at least the Grand Canyon." They are more price sensitive, and probably prices will not be increased that much according to the concessioner with this new policy. But we will see and we will just see what happens. And that is what we are going to do is roll with it and see what happens. That is one park's assessment of it.

MS. ORLANDO: It has been pilot tested in a number of parks since 2000, and what we recently did was rolled it out service wide for a pilot period up through 2004. I think we have discussed it with the chiefs and we went for a two-year pilot. And that is what Nick is responding to. So all of the fields --

MS. ORLANDO: What you are telling me is the entire field is open to their choice, to using it?

MS. ORLANDO: Yes.

MR. HARDY: Actually, I think the entire park was -- I thought was instructed to use it for gift items.

MS. ORLANDO: For retail.

MS. HIGHNOTE: For merchants and retail.

MR. HARDY: Now other items that are excluded is like your convenience items, store food. That is going to be excluded from that policy.

MS. HIGHNOTE: That is right. That is what was outlined in that memo.

MS. RHEA: If I might say, at Grand Teton, we were one of the test parks and we have been doing it for three summers, and we do have a pretty good competitive situation there going on both within the park with multiple concessioners selling retail, as well as Yellowstone being adjacent, and the community of Jackson with a lot of opportunities for people to spend their money. We did not find any noticeable change in any of the pricing by any of the concessioners when we implemented this, so it was very successful.

MR. NAILLE: How about complaints?

MS. RHEA: No complaints.

MR. HARDY: We also found at Denali when we implemented this, or we offered the option at Denali, and they are already paying such a huge shipping cost on goods, that there is already sticker shock there and they just did not feel they had any room to raise prices if they had wanted to.

MR. JONES: We implemented before I left Rocky Mountain National Park and saw no significant increases in prices and no complaints from the visitors.

MS. ORLANDO: That is sort of the track record so far.

MR. NAILLE: That is good.

MS. ORLANDO: It is very good.

MR. JONES: It makes our workload easier.

MR. NAILLE: Good. I am glad you are up there.

DR. EYSTER: How do you monitor dissatisfaction of prices, quality?

MR. HARDY: We have not had a consistent means of gathering feedback, so right now Xanterra, I think there program is -- we do not have a good control to see whether the complaint rate increases, so that is why we are actually going to look and see how prices do change. We save all visitor comments that are received, but as I am pushing our concessioner to get feedback more strongly, that is going to bias the sample, so at least at my park, we do not have a great consistent system to see whether -- we know how many complaints we got in the past, very few. So we will see if they increase, but I am also trying to get a lot more feedback.

MR. NAILLE: Now, Steve, are you just starting -- is that what he is saying is you are just starting this program?

MR. TEDDER: On the feedback?

MR. NAILLE: No, on the whole program.

MR. TEDDER: Yes, on the core menu and on the competitive market declaration, we have -- it was rolled out to us just a few weeks ago. And that is what I want to address --

MR. NAILLE: Oh, just a few weeks ago.

MR. TEDDER: Yeah, well that is what I want to address. One of the issues, it is pretty late -- where was I? One of the issues is that it is quite late in the season. And generally, with retail particularly, we have a lot of our items pre-priced by the supplier or vendor before they ever arrive in the park, so it is late in the season now to go back and change prices. Retail items, as Nick mentioned, we will, you know, look on an individual basis. The other one that is even more difficult was on the general stores and the mark-up percentages for convenience items which will not change. They are also directed, but we just received those two weeks ago and, you know, our general stores have been open for weeks. So anything we can do to speed up that process to make sure they come out at the first of the year would be much appreciated. And then another part of our new contract that Nick will love, or is loving, is that part of our contract now is that we have to provide them all of our guest comment cards at the Grand Canyon, and so we are sending them $5,000 a week, and so he should have a lot of information. He just needs help to read them.

MR. HARDY: Well, actually, that is an onerous request, but useful information for us.

MS. ROSEN: One category that you may see prices rising would be contemporary American crafts. As you push more crafts, arts and crafts into the park system, you will probably notice that the standard mark-up in the surrounding community will be 2.3 to 2.5, at least and, in some high overhead areas, 2.8. The terms on craft art are fewer than the terms on general merchandise and they are never discounted.

MR. HARDY: One other issue that we are going to be dealing with at some point on this is how do you handle utility pass-through's in a world where there is no price controls, especially if you have a mix of products with or without price controls, so we still have not figured out how we are going to handle the allowed mark-up's, for instance, you know, anyway that is just one small caveat. We are still adjusting, but we will see how this goes.

MR. NAILLE: What you are saying is the park service provides the utilities and those prices go up to the concessioner and they are more expensive than they are on the outside world.

MR. JONES: Especially when we are generating the electricity ourselves, therefore small scale/high cost.

MR. HARDY: So if the cost to a concessioner is higher than for the average market or of our comparables, then we allow them to recoup that added cost somehow, and then, you know, we would not want to see the entire pass-through go on the food items. Anyway, there are small details to be worked out on that aspect of the program.

MR. NAILLE: Okay, let's talk about lodging for a second. We had suggested as a board a few years ago that you look at doing some comparable position and then go with an indici, which you seem to like on your core menu concept. Where are we on deciding what that indici is going to be on that program?

MS. HIGHNOTE: Can someone repeat that? I could not hear all of the question.

MR. NAILLE: Dee, it is Allen.

MS. HIGHNOTE: Hi, Allen.

MR. NAILLE: Hi, Dee. What I am asking about on lodging, the Board recommended that we would ask you to look at a comparability program that you would do, and then over the next I think it was three years, you would come up with an indici that would allow rate increases without further park approval, and then at anyone's discretion, you could go through another comparability if you felt that things were out of whack for one reason or another, or you did it every fourth year. Where are we on that concept?

MS. HIGHNOTE: We have not gotten there. We have not gotten there.

DR. EYSTER: We all should say "rate change," not "increase" because we have had reapirs drop significantly over the last couple of years, so if we go to that concept --

MR. NAILLE: Good point. We even talked about that at the time, so --

MR. CORNELSSEN: Let me try -- I want try to help Dee out here. Dee, this is Curt again.

MS. HIGHNOTE: Uh huh.

MR. CORNELSSEN: And you are more aware of this, Dee, than I am, and Jeff and Margaret are not here, but I know that when it comes to lodging, our approach to this has been to try to develop the classifications and standards analogous to the way AAA does it, and we are working very hard on that, have made a lot of progress. And I know some of you have all been involved in that process, both concessioners and --

MS. HIGHNOTE: And before we address how to price these, we want to make sure we know what we have. Right now our standards are not really identifying the types of lodging that we have and we are trying breaking it down into the classification as to whether it is a full service or a limited service hotel. Once we get those identified with the operating standards that we feel service-wide, that we want then at that time is when we would approach how we would do the price structure.

MR. HARDY: Well, but I think the issue of indexes is just looking at change from year to year. What you are talking about is a basis for prices in the beginning. Now we do not have to implement a whole new basis for pricing based on standards. That is going to take some time. I think that we are just talking about the year to year changes and the use of an index for those.

MR. CORNELSSEN: It depends on if you have a rational pricing model to begin with.

MS. HIGHNOTE: But you need to know the type -- I mean, right now our lodging -- we could say "lodging," but we do not really identify the type of lodging. If you are going to do the indexing, you really need to make sure you are indexing it appropriately with the type of facility that it is.

MR. CORNELSSEN: I think you could do what Nick is suggesting. The only thing I would say, Nick, is I think in a lot of cases you are starting from an irrational process at the beginning, so, you know, you are just sort of adding insult to injury.

MR. HARDY: No, you are not making it worse or better.

MR. CORNELSSEN: Well, alright. You are just going to go ahead and index the system.

MR. NAILLE: Well, you know, I am going to disagree with that because it has been the system that has been in place for 30 years that I know of, where you use some comparable basis and I am not asking that to be changed. You can still continue to work in the direction that Dee is talking about and I agree with Nick, that is a whole other process. The process of setting up what I would call a lodging system on some basis that allows for more flexible or a quicker solution to the approval process, which was one of the mandates, I think, under the structure of the law in the first place, was to get things to move quicker. Part of the mandate of this Board, and something that we recommended, I am guessing, three years ago, and Dee knows that I get a little frustrated with this one anyone, it is kind of my pet peeve, but it all fits together with all three major areas of sales -- shall we call them retail sales in the parks? Food and beverage and lodging and retail. But the thing is, you can still go with comparability. What we suggested was you go with your standard comparability that you are presently doing, you just pick an indici that you are going to use that is the appropriate one, and that was going to take some research. Then you have three years of allowing the concessioner to increase based on that indici, and if they do not like where the indici is taking them, they can ask for another comparability which takes six months. Or the Park Service, if they do not like where the indici is going, they, too, could ask for a comparability to readjust, up or down as Jim said.

MS. RHEA: Dee, if I recall our new rate guideline correctly, we built that into the lodging component where we would start with a rate based on a full comparability and then for the two interim years, we would use the index. Has the Advisory Board seen that rate manual?

MS. HIGHNOTE: Well, I have to go back. It may --

MS. RHEA: Yeah, I am quite certain that that is provided for in there in the approved rate manual that came out last fall.

MR. *: What is your index?

MR. NAILLE: I do not know. We did not suggest that. We suggested -- we suggested that the Park Service find the right indici, that is why I have addressed it that way each time. We did not pick an indici for you to choose.

MR. CORNELSSEN: The problem you have right now is the lodging industry is actually in a decline, so year to year rates and repairs have actually gone down.

MR. HARDY: So are comparables, though.

MR. CORNELSSEN: Well, that is what I am saying. So if you used an index, if you use the hotel industry index, you would actually be declining rates.

MR. NAILLE: And but we agreed that that is a definite possibility, and if the -- what are you doing with the declining comparables? Are the rates lowering in the park?

MR. HARDY: No, it has been a tough -- Steve, step up to the plate -- well, we just did a new comparability study in general, but we found static or declining rates.

MR. CORNELSSEN: The difference is, in the private sector, the owners do not have any responsibility to ensure that they make a profit, whereas you guys -- there has to be a reasonable opportunity for a profit, so you may have to revert at times to sort of a financial based approach as opposed to just a pure comparability approach.

MR. HARDY: Well, the other issue is that it is discounting that happens. The rack rate might stay similar. What happens is when you have got competition, you just have greater discounts, internet discounts. So we allow our concessioner to stay at the rack rate, but they are getting --

MR. NAILLE: I understand that, but I also know that they are in the discounting business over the last couple of years, if I am not mistaken, talking with some over the last couple of years, so that is going on. In the past with the way the rates increased, or the rate increases that took effect in the parks, you never wanted to give up that rack rate because you could not really afford the discount. Well, now you have to. So, I mean, what we are talking about is real world experience is affecting the parks, but yet I am still not seeing that totally occurring yet because we are not finding an easy solution to this.

MR. CORNELSSEN: And there is not an easy solution, there is a lot of work involved. I mean, the thing is, if you do not have classifications --

MR. NAILLE: Why can't you find an indici to use, then? And maybe that indici does go down?

DR. EYSTER: Every survey basically breaks the industry down into economy, mid-range, full service, and luxury and resorts. So even among those, there will be differences of opinion as to how you would classify and what the comparable -- and those indices can be significantly different results. Each year can be significantly different from one to the other. MR. CORNELSSEN: I just think that, you know, you could take Dr. Eyster's point and we could try to buck it, all of the assets, into those categories. I think the reality is your rates would all go down. Since 9/11, rates across the country for every single category of lodging have gone down, some of the them substantially, particularly the resort sector. So you would actually have declining rates and I am not talking 2 percent. We are talking maybe like 5 percent. And yet when you look at the cost structure in some of the parks, like the park we are in right now, the cost structure has not changed. If anything, it has probably gone up. So you are going to ask someone to decline rates substantially based on a viable and a valid index, you know.

MR. NAILLE: But see, what I do not understand is, in effect if you are doing comparabilities and the comparables are obviously going down if what you are stating is true -- and why do rates -- I guess rates go down.

MR. CORNELSSEN: When you guys do your comparables, do you look at average daily rate achieved? Or revenue per available room? Or do you just use the rack rate?

MR. NAILLE: Rack rate.

MS. ORLANDO: Rack.

MR. CORNELSSEN: Okay, so that is your problem right there. The hotel industry would never -- I would agree with you if you used revenue per available room, or average daily rate, but you cannot use rack to compare. Rack is meaningless.

MR. HARDY: So we need to see if we can get average daily rate or develop our own index, then?

MR. CORNELSSEN: You can. Smith Travel Research publishes all that information. I mean, there are some locations where you have a lot of independent hotels where it would probably be difficult, but in most areas, you probably could get some --

MR. NAILLE: But in effect if a concessioner is running rack rate and does not discount, then that is going to be your comparison on that? Rack rate -- it does not make any difference.

MR. CORNELSSEN: That is correct on the park side, but on the private sector side --

MR. NAILLE: It does not matter, it is still a comparable with the private sector because the private sector is an averaged rate.

MR. CORNELSSEN: No, no, that is not the way I would do it. I mean, you have to look at -- on the private sector side, you have to look at the average daily rate achieved. The average daily rate achieved may be the same as rack rate for the Park Service, but it would not be for your comparable. And if you want a true comparable, you have got to compare apples to apples.

MR. NAILLE: I do not know that you ever will.

MR. CORNELSSEN: What I am trying to --

MR. NAILLE: At the way you are talking.

MR. CORNELSSEN: Average daily rate.

MR. NAILLE: But average daily rates average daily rates no matter what it is, whether it is that rack rate, or whether --

MR. CORNELSSEN: Yeah, but what I hear people saying is they go out and they do comparables on rack rate and not on average daily rate achieved, and that is really -- you are comparing, then, apples to oranges.

MR. RUTTER: But you would also, on your market, some of these markets are so isolated that you are going to have a hard time going down and getting comparables on something other than rack rate, especially when you look at the isolated nature of some of these properties.

MR. CORNELSSEN: Meaning they will not give you the information?

MR. RUTTER: Yeah, the average daily rates are not going to be available to you, right.

MR. NAILLE: Okay, so then how do we solve the situation with lodging? Because you were there three years ago when we were making this recommendation. How are we going to solve the problem in the fact that we are still going through a long and tedious process for the lodging side of the business? How do we soften that?

DR. EYSTER: Well, if we compare rack rate and rack rate, obviously -- I won't say obviously, but probably, the concessioners are getting a break because they are more likely to be able -- they are less likely to have to discount, okay? And as long as we all understand that, that is okay, as long as we understand what the ground rules are. I mean, they are having a benefit by doing rack rate and rack rate, so we just don't say, "We ought to just take average daily rate out of all of our -- anything written, and just go rack rate."

MR. CORNELSSEN: You could do something like, if you think your rates are fairly rationale, you could just use like a CPI or something like that. I mean, I do not know that you could use the hotel industry index. I just think that --

MR. NAILLE: And, you know, we did not specify what indici to use. All I am questioning is why haven't we looked at coming up with an indici? Why --

MR. CORNELSSEN: Because our basis, our starting point, is flawed.

MR. NAILLE: Yeah, but you know, my problem is it has been a flawed basis for 30 years, okay?

MR. CORNELSSEN: So then take the flawed --

MR. NAILLE: And we are still going to spend several more years trying to figure out what the next step is as a starting basis, so why don't we implement something from the starting basis we now have.

MR. CORNELSSEN: If it makes you happy, we can do that.

MR. NAILLE: Just understand that I will bring it up probably at every meeting as I have, and at some point I will probably start throwing things.

MR. HARDY: We implement it when the industry is at its lowest point.

MR. CORNELSSEN: Well how long is it taking to get rates approved now for lodging from the concessioners?

MR. HARDY: The comparability is pretty intense to set the comparables, but once they are done, it is an issue of a phone call. It is actually not that time intensive to set prices because -- I mean, actually that is true for motels, it is not true when you have 20 different room types, then it is a real rough issue.

MR. NAILLE: Even when you make those phone calls, and I am not that far removed from it, they do not even know what to tell you because they have not made that decision yet.

MR. CORNELSSEN: Right, they are going to say, "What are you guys going to charge?

MR. NAILLE: Yeah, well, no, I mean literally they wait to the last minute to see what the business flow is going to be into that community, you know, and what hunk of it they have got to buy -- which comes into average daily rate again, but I still say they do not know when you even call them on the telephone. Therefore, there needs to be some kind of system in place that allows, you know, these are world visited places and people need to know what rate they are going to pay a year in advance or more because they are booking that far out, yet many many times under the comparability process and reality, you do not have rates approved until, what? December? Or later? Tell me. Tell me.

MR. *: Usually after the first of the year.

MR. NAILLE: After the first of the year.

MS. ORLANDO: And how many complaint letters do you get from visitors who booked a year earlier and were quoted a different rate, and did not read the fine print that said price is subject to change? I mean, that happens all the time to all the concessioners because the rates are approved so late.

MR. RUTTER: I think you also have the opportunity to submit your rates, as I understand it -- a little new to this game -- but you have the opportunity to submit your rates for the future periods at any time you want. And I know our situation at Grand Teton Lodge Company, we received our rates approved back in October/November for the year we are currently in. So I think you can work with your local park and establish the kind of time frame that you are looking for.

MR. NAILLE: Yeah, but here is a man that talked indices a few minutes ago, which is why I jumped on this particular line of thought. I liked his use of that word on the core menu concept and his flexibility that I saw there, and yet they are not getting stuff until the first of the year. I am not trying to pick on you. That is a monster. I know what it is like. And he is right, it takes forever to put that comparable -- to do the initial thing is an absolute zoo, and then I still think the phone call thing is still a nightmare. So, I am just trying to show that there are these problems and something needs to come up to make year to year to year something simple. I do not care -- you can keep working on your standards program. You know how I feel about that standards program. I think it is an excellent idea, but I just think that that is still going to

-- I am seeing that that is taking a long time to put together and I think it is probably knowing what is out there, it is even longer than you can even imagine. But still, somewhere we need to come up with something that makes lodging rates increases on an annual basis simpler. That is all I am asking.

MR. CORNELSSEN: It sounds like you kind of have a solution already. If you are able to just simply say, "We have approved rates and for the next two years, we are just going to use an index," and as long as that is a rationale index, you kind of already have a system that will be good. And by the time -- and so --

MR. NAILLE: But, see, I want to see that system-wide. See?

MR. HARDY: One thing we have noticed with our river running concessioners, they have had, I believe, 5 to 7 percent annual increases that have been given to them by a tourism index. So we had -- so over three years, it has been a big increase, so it is a bit of a roller coaster that you have got to buy into, but yet then in the third year we do another comparability study. MR. NAILLE: Let me just add -- and let's come back to the core menu for just a second because there was something that ties into this, the fact that here is a park that is doing something, and I am seeing somebody from within that structure of that park who is saying it works there. Okay? But it still is not going elsewhere in the system. You know, it is not following through. And I am looking at this thing on the core menu and, if I am not mistaken, 21 people said they did not put it in their park, or they did not understand it, and five did not do anything with it, or did not respond? Five did not respond on the follow-up at all, and whatever. And then I question myself as a prudent businessman, "Why didn't those five respond, and I would have their response by now? And the 21 who did not implement it, why didn't they implement it if we put this out park-wide to be implemented?"

MR. JONES: Well, let me throw in another question -- why didn't those concessioners complain to the Regional Chief of Concessions?

MR. NAILLE: Well, I do not know. I do not know who they are or what they were, you know? And some of these might just be a little restaurant near there, all right? Or a snack shop or something.

MS. HIGHNOTE: That is exactly right.

MR. NAILLE: Dave.

MR. WOODSIDE: We did not implement the core menu. We had that as an option and chose not to pursue it. What we had was working fine, we have one restaurant, so we are one that did not implement it.

MR. NAILLE: Okay, so that was really a choice.

MS. ORLANDO: That was a choice. They were aware of it.

DR. EYSTER: And that choice is still available.

MS. ORLANDO: Right.

MR. CORNELSSEN: Yeah, I guess the question would be, if you want to force something on the two local parties, the concessioner or the concessions office, the Park Service would actually say, "We do not think it works here?" Or would you want to recommend it and say it is an option?

MR. VOORHEES: If seems to me most want to add as a tool, and those people, if they mutually agree it is not a good tool, but it applies here, that is fine.

MR. NAILLE: I will agree with that. If they mutually agree that they do not want to do it, I can agree with that. But then I would not show this as -- I would show this that they mutually agreed and they decided not to do it, instead of five not implementing it.

MS. ORLANDO: Dee, aren't you saying, though, that they did not implement it, not that they did not agree --

MS. HIGHNOTE: That is right.

MR. NAILLE: Are you saying, Dee that they decided they did not want to do it mutually?

MS. HIGHNOTE: That is right. I do not know if it was mutually agreed or not. What it is reflecting is that there are 21 operations that have food that are not using the core menu.

MR. JONES: Allen, we need to get back to you as to why.

MR. NAILLE: Yeah, yeah. Yeah, I will get off my soap box. Dee?

MS. HIGHNOTE: Yes.

MR. NAILLE: I want to thank you for taking the time to crawl out of the hospital, take an ambulance home, shove the doctors out the door and be with us today. We miss your smiling face.

MS. HIGHNOTE: Oh, well, thank you. I am sorry I could not be there.

MR. NAILLE: It is about 67 degrees outside, there is sunshine and scattered clouds --

MS. HIGHNOTE: Sounds beautiful.

MR. NAILLE: We have watched Old Faithful go off 18 times. But we miss you and we thank you for being a part of this.

MS. HIGHNOTE: Well, thank you for letting me be a part of it, and I wish I was there.

MR. NAILLE: And you get well quick.

MS. HIGHNOTE: Thanks a lot.

MS. ORLANDO: Thank you, Dee.

MS. HIGHNOTE: Take care, bye bye.

MS. SAKIESTEWA: In reviewing the Minutes, one of the follow-up items was core retail, and I just wondered, has anybody between the hours of 1:00 and 3:00 a.m. had time to work on that? Core retail? It was a follow-up item for last time's meeting.

MS. ORLANDO: Right, and the guidance that was given was that we were going to pilot this for food and beverage before we --

MR. NAILLE: Dee did make the statement that they knew we asked them to look into both lodging and retail and that they would not -- they do not want to do it right now --

MS. ORLANDO: At this time. They want to test.

MR. NAILLE: -- until they get the food straightened out.

MS. SAKIESTEWA: Okay.

MR. NAILLE: So '08, 2008.

MS. ORLANDO: Well this pilot ends in '04.

MR. NAILLE: Okay, thank you, Nick. We appreciate it.

MS. ORLANDO: Thank you.

MR. NAILLE: Thanks, Curt.

MS. ORLANDO: Thanks, Curt.

MR. NAILLE: Okay, Leasehold Surrender Interest Work Group Report. Actually it was more than just leasehold surrender. It actually, so to speak, was dealing with regulations and the way some of the points to the regulations were written governing the '98 law. So I am going to talk about this on a couple points. There were actually three points that we dealt with, and for those of you that are not up to speed -- and, honestly, I did not want the Board to get involved in this particular issue, but we did, and as you heard Randy talk about this morning, it seemed to be a good forum and it worked well and everybody thanked everybody. I also wished to at this point in time -

- I cannot stress enough my thanks to Curt Cornelssen and his group and the work of Price Waterhouse Coopers because they were very instrumental, I feel, in putting everything together in a format that everybody easily understood and we could go forward with. They were involved in the thing from Day 1. We had a couple of meetings at different times during the beginning of the year in Washington. A very nice group of people gathered, staffers from the hill were there, all the senior management of the park service including the director were there at both of those particular meetings. And Dick and Randy, in particular, have taken a king interest in seeing this work through all the way. As I stated earlier, I was probably the most amazed person yesterday afternoon when things started to gel a lot faster than I thought.

The three areas of concern were Cross-Collateralization, Sales and Transfers, and then a combined thing of LSI Crediting and then Depreciation. The cross collateralization was basically put to bed yesterday -- and I am going to also, if the Board does not mind since the Board was in attendance yesterday to get up to speed because the original board members of the work group were Jim Eyster and Phil Voorhees and myself. Jim got tied up in a bunch of other things and could not make it, so it was left to Phil and I, and one of the two of us was sick most of the time through those meetings. He got sick first and then usually gave it to me, so -- but on cross collateralization, the solution was to amend the Regulation 50 -- and so I am going to put this in the form of a recommendation. So what I talk about will be a recommendation from the Board, and Jim is going to specifically talk about sales and transfers, and we have a couple things. We are going to recommend things to do on all three. We have not solved all three, so do not get me wrong, but we are real close. Okay? On Cross Collateralization, to amend the Code 51.87, Section A, to make clear that a concessioner that holds two or more concessions contracts may pledge the contracts and related rights to secure a single loan transaction. Okay? And on Sales and Transfer, the issue there was Park Service approval process on sales or transfers at various levels inside a structure, so in a typical corporate structure. How far up the line does a transaction occur that the Park Service really needs to give its approval process, knowing that they still want to have control over who is going to be running the operations in those parks. So, Jim, Dr. Eyster has agreed, since he did not show up at those two meetings in Washington, he has agreed -- the punishment is that he has agreed to chair the sub-working groups of the working group, which are kind of just clean-up's, okay, and I promised him that it really was not going to be that hard of a work process, that it would go pretty smooth, and so I will let you talk about sales and transfer because they have met a couple of times yesterday and today.

DR. EYSTER: There were four issues with the assignment, which is basically what we are talking about. And Mike Welsh (phon), Peter Craig, and Curt Cornelssen and I got together yesterday afternoon to bat this around a little bit. The first issue was the definition of controlling interests. And we are of the mind right now that anything greater than 50 percent, although we might want to re-visit whether 50 percent is controlling interest because 50 percent can tie up a decision. So at this point in time, we are looking at greater than 50 percent. Where does it stop? And there was some discussion as to whether this is first tier, second tier, third tier as far as the changing and controlling interests. And our thinking at this point in time is that, if controlling interest changes from the contracting entity and if existing from the immediate parent of that contracting entity which takes it up just two tiers, that approval would be necessary at the Director's level. The third item was the type of information that needed to be provided for an evaluation by the Director on whether the passing of the interests to an entity was an appropriate -- whether the entity, assuming the controlling interest could appropriately carry out the responsibilities of the original entity, and the information that is being passed up now can be extremely onerous, so we were looking at a process that was a certification by the entity and do an Except For (phon), so if there was a significant change in management that would be an exception that would have to be reviewed, or a significant change in the financial structure of that new entity. And we have not yet defined what "significant" is, and we are going to need to do that. And then the last item was time frame. How soon prior to an assignment or a proposed assignment does the concessioner need to get appropriate information to the Park Service. And then, secondly, what is the time frame for the Park Service to get a yea or nay back to the concessioner. Those are the issues. Price Waterhouse Coopers is going to word craft this. We are going to take it to -- get some legal advice on it, and then we will bring it back to the board and the park service. And I think that is -- I do not know if Mike or Peter or Curt would want to make additional comments?

MR. NAILLE: I might make a comment -- actually are going to take it to the Park Service and the Park Service is going to put these together in a final version, bring it to the Board, in fact, I was going to wait until later, but they will bring it to the Board in our Fall meeting and then it rolls -- from that point, it is in a format that will be ready to roll into public comment.

DR. EYSTER: There were some issues -- the law seemed to be relatively straight forward. There was some question in the regulations and what we would like to try, what is the objective of the concessioners, as well as the Park Service, that we attempt to clear up and streamline what we lost going from the law to the regulations.

MR. NAILLE: Good, thank you. Leasehold Surrender

Interests, which was the big nut to crack. Crediting and Depreciation of that particular amount. And what it centered around was basically there is a reserve account maintenance account, but let us say that there is no money in that and some project, some capital project needs to be done, the Park Service has an option to try to find that money to do that project through Appropriations or whatever. If that is unavailable, what do they do? Well, then, they might come to the concessioner, the operating concessioner, and say, "We need you to spend a certain amount of money on a project." What happens to a credit of that amount of money, and then how is that money going to be depreciated once that project is in place? And obviously understanding the desire on the part of the Park Service to try to hold down LSI value, yet basically deal with the fact that someone needs to put money into a project, and why in heck would they do it, just giving the money away? So that is what we were dealing with through all of these meetings. There were several options that we addressed yesterday and everyone came to the opinion that Option 3, which I will read to you in its entirety, is a suggested method to work on. So when I tell you this is what we are going to be doing, this is what the Board is recommending that the Park Service work on, and once again a subcommittee has been put together to work out the final details of this so that it can get in a final version for presentation to the Board also at the fall meeting. This particular method we referred to as a Source of Funds Crediting and a Physical Depreciation Schedule, which basically right there explains exactly what it is. But, in essence, LSI would be credited for those real property investments that fall outside of what is funded by NPS, or are considered routine repair and maintenance covered on the Concession income statement. In other words, if NPS is in effect borrowing funds from the concessioner for non-routine items, they would grant LSI credit. This requires that clear perimeters be established for the different real property accounts -- R&M, Maintenance Reserve, CFIP, etc. The depreciation approach suggested here is analogous to GAAP depreciation, but would be based on industry standards for asset life cycles. GAAP depreciation does not necessarily do this. As an example, if NPS requires a roof replacement that was not anticipated in the contract, and the reserve accounts had already been fully obligated, the NPS would award LSI credit. For depreciation purposes, NPS and the concessioner would agree on a manufacturer's suggested life cycle for the depreciation on that. Did I do that right, Curt? Thanks. So that is our final starting point, and we roll from there.

MS. SAKIESTEWA: Do you need a second on this recommendation?

MR. NAILLE: No, I do not think so. I think we just concur that is where we are going and we will take the official one in the Fall. So if everyone on the Board agrees, say "yes."

"YES."

MR. NAILLE: Thanks. Okay, moving right along. No, we are not going to take a break yet. I will throw Dick on. Dick, I should tell, Dick Linford took on the work group for the board to look at the Commercial Use Authorization and they met late November -- was it late November? No, it was after -- the rule was published. You met in March -- late March?

MS. ORLANDO: End of April.

MR. NAILLE: Okay, end of April.

MS. ORLANDO: Close. You were busy other places.

MR. LINFORD: So, Cindy, briefly, why don't you explain --

MS. ORLANDO: Do some of the background, okay.

MR. LINFORD: Well, explain to people what a CUA is, I think,

MS. ORLANDO: There was some reference this morning to IBP's and CUA's, and the Incidental Business Permit Program is the authority that is currently in place, and what we are evaluating is what will become the Commercial Use Authorization. I do not want to complicate it. Those that have been around a while know that we used to have a CUA, and then it went to an IBP, and now we are going back to the CUA, but be that as it may, let us move forward with the task at hand. A draft rule was published late last winter. The public comment period closed in January. There were a number of issues and concerns raised as a result of the draft Commercial Use Authorization Rule that was published. Many of you commented both in the Park Service and also from the private sector. Recognizing that we had quite a task at hand, and recognizing and living through the last three years of concession litigation, and talking with Dick and Randy and folks in the departments, we came to the conclusion and the board agreed that this would be an appropriate task for us to tackle under the auspices of the Advisory Board. We could put together a work group much like we just did and talked about with the regulation issues. And our hope was, let us try to do it right up front instead of putting out a final rule that makes everybody unhappy and then we are fighting each other for the next three or four years. In that regard, Dick Linford, who was the outfitter and guide, our representative on our Board, did agree to serve as the Chairman of the Working Group.

MR. LINFORD: Actually, I agreed to attend a meeting in Washington, and then Cindy announced the night before that I was chairing.

MS. ORLANDO: This is an Advisory Board work group, it is covered under FACA (phon), but the working group is going to be rolling up recommendations much like this regulatory work group did. Through the full board, there will be public dialogue, and then one of two things will happen, either a second proposal will come out or, if we really do it right, we will come out with a final rule and have reached some consensus on the direction in which we are going.

MR. LINFORD: And I would like to just maybe briefly address some of the issues that came up. First of all, I think we were pretty impressed -- I was pretty impressed -- with the attendance. We had 38 people at the meeting. Several government people, park service obviously, some BOM (phon) had some people there, Interior had a intergovernmental person there, we had staff from both the Majority and Minority in the House and Senate, both, so we had -- everybody was well covered there. The Western States Travel Council showed up, and then the stakeholders that were represented there included outfitters and guides, dude ranches, the mountain climbing groups who have now become part of America Outdoors, who represents most outfitting. Bus companies were there, educational groups -- NOLS (phon) and Outward Bound were both represented, and then the Sierra Club was there. So, you know, people were there and they were pretty articulate, and I think we got a lot covered. Distilling what I think the concerns were, that the people expressed at the meeting, anyway, and a lot of this stuff is summarized for you guys in your booklets there, but people are concerned about when the CUA is required. Everybody recognizes that this is a whole bunch of stuff going on in parks now that is going on under the radar, that probably, you know, might require a CUA. And at what point is a CUA going to be required? Some people are really concerned about the distinction between a CUA and a concessions contract -- at which point does a CUA move to a concessions contract? And then I think a lot of the problems -- CUA's cover just a very wide range of activities. You know, you can have a very large bus company that is grossly several million a year, who are bringing people into a park just for a very brief period of time every day. You can have a small climbing organization that brings a group in for a month. You know, once in the summer or something like that. And they are all CUA's, so this covers a huge huge huge range of activities. And so I think putting all these under the one umbrella, you have all these interest groups and all these stakeholders who are really trying to protect and defend their own turf. A lot of the concerns had to do with the issuance of the CUA's, the length of the CUA, the re-issuance of the CUA, transferability of the CUA, and also the revocation. I think a lot of people expressed a lot of concerns that the proposed rule seemed to give park superintendents more leeway than a lot of people were comfortable, both in determining when a CUA was required, when a CUA was legitimate, and when he or she could take away a CUA without liability. So I think people generally wanted quite a bit more structure in that neighborhood. People were concerned about fees. I think everybody dealing with the government -- I do not know if the large concessioners see this, but all outfitters are now seeing the term "cost recovery" pop up everyplace, and it makes everybody really really nervous because, you know, it just depends on who is going to decide what costs are going to have to be recovered under the fees. So we noticed people expressed a lot of concern about that. Also, the layering of the fees -- if the climbing group moves from a national forest to a national park to a national forest, back and forth, they can end up with -- right now, they could end up with a layer of fees, fees end up being about three or four times as much as probably anybody intended that they be. So we kind of what to see the fees worked out with the other regulating agencies and so just make sure that they are not layered on. There was concern expressed that special populations be taken care of under CUA's, you know, underprivileged people, people operating under handicaps, and things like that. There was concern also that the institutions are concerned about whether or not they are commercial and how they should have to behave under this, and the Sierra Club in particular feels like they are kind of in a no-man's land right now. The Sierra Club does sponsor a whole lot of activities on national parks and the question is did they require CUA's. So at the end of the day, we actually decided that there were three areas that we could basically put all these concerns under. There was the administrative area, the fees area, and the limitations on CUA's. And three work groups were set up, each with a park service head and those guys are supposed to do considerable work over the summer and we intend to re-convene in October, probably in Seattle.

MS. ORLANDO: Uh huh, and if I could just add to Dick's very thorough summary, and then the other Dick who was also at the meeting please chime in if we have left anything out. A couple of other areas of concern, the $25,000 ceiling was very bothersome, and really based on the time value of money, that rule and the law on which it is based, it is in the statute, was drafted almost ten years ago. So that was an issue. The loss of preferential right was a huge issue. You mentioned, I think, limitations, and related to limitations would be the random selection process.

MR. LINFORD: Yeah, random selection --

MS. ORLANDO: Random selection was a big thing.

MR. LINFORD: People were very upset about the possibility of random selection.

MS. ORLANDO: The Alaska representatives -- and we have two outfitters and guides from Alaska, as well as the Park Service representative from Alaska on the work group, were very concerned that the draft rule was trumping ANILCA, so we needed to address specific things, even though it was not -- because, again, the statute is very clear that nothing would trump ANILCA, but the reg did not specifically say that, so we need to spell that out in the reg going forward. And then the biggie -- commercial bus tours -- somebody mentioned that earlier. We are going to be wrapping those back under the CUA authority going forward, so we have got representation from special park uses and the fee group. And I will let Dick add to anything else that we might have missed.

MR. RING: No, I think, Cindy, between you and Dick, you have covered all the items that came up. I think that we got a lot of comment back on the proposed regs. It clearly indicated that there were a wide variety of interests and effects of these Regs, and that we did not have it right with the draft. So we committed to, and I think this working group and the follow along work over the summer is our exercise to try and clearly understand from the different interests and affected folks what the problems are, and you have heard a series of them now. We want to get these right and we want the help of the board to understand where we need to make the right changes in these regs before we come out with them in final. And, clearly, we understand we need to make some of those changes. We understand that from having reviewed the public comment, but we certainly need the counsel of the advisory board on making sure we get all of it. So I thought it was a very good meeting, very well represented by different folks, very good concrete issues raised that just need to be dealt with, and I think we are focused on getting that done and hopefully in the fall session, we will be able to discuss a set of recommendations that will let us go forward to some kind of final rule.

MS. ORLANDO: And even as these issues were raised by the various stakeholders, it was so impressive to me -- and I think to all of us there from the agency -- that at the forefront of every issue was protection of park resources and park resource values. It was incredible. Every private sector representative in that room voice that same concern.

MR. RING: Right.

MR. NAILLE: Thank you.

MS. ORLANDO: Thank you, thank you. So in answer to the question, "When are we going to have CUA's?" stay tuned. We are working on it.

MR. LINFORD: Allen, let me just add, there was one other comment that came out of the group that I think we need to figure out how to address, and that is interim guidance to the field because it may take until the fall until we have these recommendations done. It may take them some time after that to put rules together. So we are looking at what kind of interim guidance we may want to put out while trying to get these things sorted out.

MR. NAILLE: Based on comments --

MR. LINFORD: Yes.

MR. NAILLE: Okay, thank you. Do you want to take a break? We are down to the other business part?

MS. ORLANDO: Yeah, let's do.

MR. NAILLE: Okay, we will take a break.

(Off the record.)

(Back on the record.)

MR. NAILLE: Okay, we will reconvene. All we have got left is the other business part, and then public comment, and I think I am going to go to public comment at this point in time and then we will do the other business, which is really Board clean-up stuff, last. So I will take at this point in time -- are there any people who would like to speak at this point in time under the public comment portion? Wendy. And if you would come to a microphone, state your name.

MS. ROSEN: I am Wendy Rosen from the Rosen Group in Baltimore, Maryland. I am here as an informal lobbyist representing the interests of thousands of craft artists -- contemporary craft artists, not native craft artists -- who find difficulty selling to stores within the National Park System. In my own 22 years of experience in this field, I have noticed that there is a disconnect between artists and these retailers and buyers. Artists do not have road reps. Few of these artists exhibit at major gifts shows. And there is a persistent myth that artists are not good business people, that they do not make salable products, and they do not deliver on time. These are all very false assumptions. Our industry statistics over the last seven years prove that craft retailers can enjoy sales of $300 a square foot up to $800 a square foot, some of them even $1,000 per square foot. I look forward to working with the Arts and Crafts Committee to provide technical assistance in the areas of defining what craft art is, and who these artists are and how they should be defined, reducing franchise fees for retailers, providing interpretive merchandizing assistance, assisting with sales staff training, providing better access for retailers to artists, and providing comparative retail statistics, and helping artists become more educated about the process of selling to the Park System, and helping the National Park System put together an authentication program for contemporary American craft artists.

MR. NAILLE: Let me ask you, do you represent a group of artists? I need to know kind of exactly what your organization is.

MS. ROSEN: I started out 22 years ago by producing the very first national wholesale market of American craft, not a retail fair, but a true wholesale trade show. Today I still own those two shows, they are both in Philadelphia, one is a very large show with 1,500 exhibiting studios, and the other one is in the summertime with 1,000 studios. I publish two magazines, one is wholesale only to the trade. It teaches business practices to gallery owners and shop owners of American crafts, and the other one is a consumer publication that teaches craft collectors and art lovers how to find American crafts and enjoy them and collect them. I also have produced a PBS documentary that will be aired nationally this fall, titled Crafting in American Style, the East, and it is about 100 years of the history of American Craft on the East Coast.

We have done statistical surveys of craft retail stores so that we have reasonable statistics to provide you comparatives. And I guess my company is somewhat like an association. I do not make any percentage off of any crafts sold. Artists come to us for professional advice and for networking opportunities.

MR. NAILLE: Anyone have any questions?

MR. *: What kind of surveys do you do?

MS. ROSEN: We survey artists as well as retailers, and our surveys for retailers are a pretty in-depth study of what kinds of sales they have in each product category and their sales per square feet, their overhead, their staff, their labor costs, everything. Yes?

MR. WEERTS: I read in our folder here a letter that Mr. Ring wrote to you. What do you hope to accomplish? I think the letter very explicitly defined the types of resale items that they hope our concessioners would purchase and sell. Is this something that a lot of the people you represent actually craft? Do they have things that fall into that category? Is that what you are attempting to do, then, work with concessioners to better make them aware of the availability of this craft?

MS. ROSEN: I believe that many of the Park retail concession buyers are somewhat uneducated about American craft and its possibilities in the retail environment, especially in a high traffic tourist environment. MR. NAILLE: Have you dealt with the National Park Hospitality

Association?

MS. ROSEN: I have met with Judy Bassett once and I am going to continue working with her if there is any need to.

MS. ORLANDO: But you understand, Wendy, that each of the concessioners does their own individual buying? The Park Service does not get involved in the buying. Okay.

MS. ROSEN: Yes, but as far as the National Park Service coming up with some kind of program that might encourage these retailers, or provide incentives for these retailers to buy, those are the kinds of things I am interested in.

MR. WOODSIDE: Wendy, is it your hope that the Park Service might reinstate the franchise fee exemption on American crafts that was taken out in the new law?

MS. ROSEN: That would be a possibility, or perhaps a reduction, not necessarily a full waiver. I do not know. I think that there needs to be a real full understanding on what is an American craft and what is not because I have got a funny feeling that some buyers really do not understand how to make that qualification.

MR. WOODSIDE: Are you familiar with the previous criteria that was in place?

MS. ROSEN: Not completely, no.

MR. WOODSIDE: Okay.

MR. NAILLE: And do you also know that this Board recommended that specifically, that that exemption be reinstated?

MS. ROSEN: I understand that there has been some discussion about it, yes.

MR. NAILLE: Now we made that recommendation, so -- it is under review.

MS. ORLANDO: Not on American crafts.

MR. NAILLE: Yes, we had --

MS. ORLANDO: No, I do --

MR. NAILLE: We had regional.

MS. ORLANDO: It was -- as I call the direction from the Board, and this was clarified to the Board, the statute is very clear to Native American, Native Alaskan, Native Samoan, and Native Hawaiian handcrafts, and that was what the statute addressed for franchise fee exemption. As a policy matter, the agency can choose if they so desire to expand that to include all crafts. That decision has not been made yet, and the draft hand craft reg has not been published yet. So the thought was to wait and see what comments came back.

MR. NAILLE: So it is your opinion that this Board did not recommend that American handicrafts be exempted from the --

MS. ORLANDO: It was my understanding that we were going to wait for the public comment period to close on the draft handcraft reg to see what the consensus of the comments were.

MS. ROSEN: I would very much like a copy of the draft handcraft regs. I am not sure I really have it. What I seem to have --

MS. ORLANDO: They have not been published yet. It has not been published yet. Is is going through a review process before it gets published. And there are presently franchise fee exemptions being granted for American crafts in certain parks.

MS. ROSEN: Is that at the Blueridge Parkways, Southern Highlands Handicraft Field Shop?

MS. ORLANDO: Yes.

MR. HARDY: One other thing, we do have a directive besides a fee incentive. There is -- and I am not an expert on it -- but our Thematic Retailing Guidelines do state -- I mean, I was asking Rebecca -- preference towards local handcrafts.

MS. RHEA: Locally handcrafted.

MR. HARDY: So that is our current directive to concessioners, is just that there should be a preference for such types of items.

MS. ROSEN: The only problem with that is that at this time there is no review of that, or further encouragement to retailers who are not complying with that.

MR. HARDY: Well, I would highly disagree because when we do review items in stores, we are putting constant pressure in as far as the appropriateness of the items we see, and that is an issue that we take into account.

MS. ROSEN: In my 22 years of running this trade show, I will tell you that, with an advertising budget of $150,000 per year in all major trade publications, and outreach mailings to thousands and thousands of retailers nationwide, and every major retailer department store, catalogue, everything that has attended our show, that in my history one National Park Concession Retailer has attended our shows. And that was one time.

MR. NAILLE: Of course, we have no control over that, but --

MS. ROSEN: No, but I mean, it is just --

MR. NAILLE: I will tell you what I will do is ask that this be on the agenda for the meeting in the fall and then I am going to ask Ramona to take up the bandwagon on this again because I thought we had straightened this out, and apparently we have not. And there may be some differences of opinions on the Board even, still. So let us look into this in between now and the fall meeting if we could, just briefly to go through it so that we could discuss it at the Board meeting.

MS. ORLANDO: What exactly do you want -- what question do you want to answer? I am hearing something from --

MS. SAKIESTEWA: If you look at the Minutes, there is this task that I had to do, which I did with my subcommittee, which was Curt and Jim, and so I have that information, and I think we could also link it to the GAO Report because it kind of follows suit.

MS. ORLANDO: I guess my question is what is Ms. Rosen asking for, or are you asking for something specifically of the Board? That is my question.

MS. ROSEN: I am asking to be involved in, I guess, the draft process if I could so that I could provide some assistance or some suggestions to that draft process.

MS. SAKIESTEWA: Well do you have published definitions? Because I have gotten some definitions of craft for different regions already, so if you have that, that would be useful.

MS. ROSEN: I have published definitions. I also have problems that I am dealing with within our industry as well that probably need to be outlined and discussed.

MS. SAKIESTEWA: It would be good if we just had your -- in your experience what your definition is.

MR. NAILLE: Nick?

MR. RING: If I could make a suggestion that you provide the Board with a written recommendation that can be taken into consideration on the committee's thoughts and in any recommendations incorporated at the fall meeting. The drafting process of the regulations is something the Park Service has to do internally, but we want before doing that drafting to have the recommendations of the Board and be clear on that. So I would think that, if I could make that suggestion, that you are providing your recommendations to the Committee and the Committee incorporating that in --

MS. ROSEN: What else will be included in that draft other than just a definition of what handcraft is and who an artist is?

MS. SAKIESTEWA: Well, what I would like to do is get multiple different organizations. I mean, there are other groups who are doing similar things to what you are doing, and what we have done before is just give the advisory board that information to review, and then we have some discussion about it with the concessioners.

MS. ROSEN: I am just asking, is the definition the only thing that is up for this draft? Or are there other things to be considered that I could contribute --

MS. SAKIESTEWA: It is kind of a domino thing because I see some other issues here I would like to discuss with the GAO and the -- I always forget what they are called, not the concessioners, but the complimentary groups -- oh, the Cooperative Associations, because I see this impacting and rolling over into that area, too. So for the time being, I think that would be good.

MR. WOODSIDE: Dick or Cindy, do you know what the rationale was in developing the '98 law that removed that exemption for American handicrafts?

MS. ORLANDO: As it has been explained to me, and there are folks in the audience that may have a better recollection, the early exemption was never codified by law, and it was a policy, and it was as I understand it not consistently applied, hence now we have it all across the board, exemptions that are being granted. And that was the result of the effort being placed in the '98 Act and identifying the ethnic groups and the ethnic handcrafts that would be exempted. So, I do not know, Edna and -- did Rebecca leave? Judy Churchwell -- all you folks that have been in the program longer than I -- I guess it was back in the 80's and 90's.

MR. WOODSIDE: Well, I mean, about 25 years ago, there was a huge effort --

MS. ORLANDO: Yeah, and it was a policy, correct.

MR. RENFRO: It was instituted by Mrs. Mondale at the time.

MS. ORLANDO: Ms. Mondale?

MS. RHEA: I think there was actually an effort to remove the exemption for all handcraft items and then that was rescinded.

MR. NAILLE: Okay --

MS. ORLANDO: But it was never in law.

MR. NAILLE: We are going to bring this up and we are going to look at it again at the full meeting, but I would like somebody to go back through the Minutes of the meetings because a number of us believe we said something and we seem to have a problem here on it, so we will look at that and we will bring it back to the meeting.

MS. ROSEN: Where is the fall meeting?

MR. NAILLE: We have not decided. We are not on that part yet. Thank you, Wendy.

MS. ROSEN: Thank you.

MR. SWAFFORD: Wendy, if your statistics are able to correlate sales per square foot as rent, I would be very interested in that.

MS. ROSEN: I can do that. Of course, what goes along with that, though, is good display and lighting and a carrying retail staff to sell it.

MR. NAILLE: Any other public comment? Seeing none, we will continue on. Reappointment of Board Members.

MS. ORLANDO: Well, as you know, we had three board appointments that were up last, oh, I do not know, winter, early last winter. Re-appointment letters have been submitted to the Director's Office and we have not received any formal notification at this point. The charter reads that you serve until a replacement is appointed, or you are re-appointed, and so that is what we are operating under. We have three reappointments that are up again in the next few months, two of those appointments -- two of our members have opted not to continue serving and so we again will be waiting to hear from the Director's Office what will transpire in terms of reappointments. So it is likely at the fall Board Meeting we may have new members present.

MR. NAILLE: Or nobody.

MS. ORLANDO: Or nobody. Or no quorum and no board meeting. And I do not know if Dick would like to add to that or not.

MR. LINFORD: Not a word.

MS. ORLANDO: Uh huh, that is all I am saying.

MR. NAILLE: Next meeting.

MS. ORLANDO: What is your pleasure? I think we have to look at calendars. Of course, we have these work group issues that we would like to keep the momentum going on, and I think we discussed perhaps late October, and we do have an invitation from the Park and community of Hot Springs, Arkansas to host the next meeting. They have a number of very interesting issues there related to the baths and the use of those facilities, or no use of those facilities, but anyway -- and they would love to host us, so I would defer to the Board to make that decision and we can follow-up with them if that is your pleasure. The last week of October.

MR. NAILLE: Okay, the last week of October. Hot Springs sound good?

MS. ORLANDO: We can use those baths, right?

MR. NAILLE: Topics to be discussed? I have one. I would like to have someone from the GAO come and comment on -- when will this be out in draft form? Oh, it is out in draft form?

MS. ORLANDO: Well, we have the out brief and now there is another draft comment. We are waiting to hear back from them, so we should have -- we did invite them to this meeting.

MR. NAILLE: Oh, you did.

MS. ORLANDO: Yeah, but we need about another couple of weeks, I think, and then he can come in the fall.

MR. RING: I mean, they have provided us their draft final and we have commented on it.

MR. NAILLE: Can you provide us copies of your --

MS. ORLANDO: You have it in your book.

MR. NAILLE: We have your copy? Your stuff?

MS. ORLANDO: Yeah.

MR. RING: Oh, you mean our comments on it?

MR. NAILLE: Yeah, your comments.

MS. ORLANDO: Oh, the comments --

MR. RING: Those were in the Director's Office to be signed out this week on Monday when I left.

MR. NAILLE: When they get done, send them to us.

MS. ORLANDO: You have the draft.

MR. NAILLE: Yeah, I know we have the draft.

MS. ORLANDO: Okay, all right.

MR. NAILLE: So I do want that.

MR. LINFORD: The CUA work groups should have the report.

MR. NAILLE: Okay, good. And all that will be done for that -- we have already discussed, that will be presented at that meeting. What else did we have?

MR. VOORHEES: There is the presumption that when GAO reports, that closes out our responsibility on work group?

MR. NAILLE: I do not know that I could answer that.

MS. ORLANDO: Okay, now, we have talked about a few other things. Were you interested in a presentation on sort of planning for commercial visitor services and parks? This is probably going to be a two-day meeting.

MR. RING: That actually is one of the recommendations of the GAO report.

MS. ORLANDO: And that ties into the GAO, okay? All right --

MR. RING: On how that is done, when it is done --

MR. NAILLE: Yeah.

MS. ORLANDO: Okay, so we have done that.

MR. NAILLE: Are we having a presentation by Hot Springs, too, then? On what they are doing?

MS. ORLANDO: Oh, I am sure they would love to do that.

MR. NAILLE: Isn't there a lot of issues there that --

MS. ORLANDO: There are a lot of issues there.

MR. NAILLE: Which is really one reason why we are probably going to go there.

MR. RING: I actually do not -- if we go there, I actually do not thing they will let us leave unless they are able --

MR. NAILLE: May I go on record asking that maybe if somebody other than Giddings?

MS. ORLANDO: Other than?

MR. NAILLE: Other than Giddings do it? No, I am -- but let Roger know I made that statement.

MS. ORLANDO: I will. No, they have a lot of issues there, actually. Okay, then that is the GAO Report, the work group report of a presentation on planning and commercial services plans, and general. You always want to hear about rates. So we will give you a status report on that one, Price Waterhouse. Keep your sense of humor, Allen.

MR. NAILLE: Oh, I am.

MR. RING: Is there an interest in pursuing presentations on the environmental ratings and how that is done?

MS. ORLANDO: If you would -- okay, environmental audits?

MR. RING: No, the --

MR. VOORHEES: No, the hotel green --

MS. ORLANDO: Oh, the green -- let me have our environmental specialist, yeah, and we can do something on that -- the green hotels. And maybe we can work with some of the concessioners on green hotel program. Are you guys a member?

MR. RING: The list, as it has gotten to now, is substantial.

MR. NAILLE: Well, and I will let you guys go through that and figure out what is more reasonable with getting across. But definitely rates.

MS. ORLANDO: I think that is about everything I captured in my notes.

MS. SAKIESTEWA: Oh, what about follow-up in our Minutes? The core retail is not there yet.

MR. NAILLE: Anybody else have any particular subjects you would like us to take up? This is the opportunity.

MR. TEDDER: Just a question. On the new standards and evaluation program, when is the next meeting for that? When are we going to be moving forward on it?

MS. ORLANDO: Dee was waiting to receive standards back on the work groups. Boy, she is the one who could best respond to that. Dave is on it. I know the last thing I saw, she was waiting for the marina standards. Within that work group, you all had specific tasks and I know that we had a meeting scheduled for May that we had to postpone, so I am sorry, I cannot answer that question, but I will find out.

MR. WOODSIDE: The only word that I received was canceled until early fall.

MS. ORLANDO: Early fall. Because of, I think, again, sort of a piloting this summer, and I am not even sure that that happened

MS. RHEA: They wanted to have some focus groups, right, on some of the standards, but I do not know the status of that issue.

MS. ORLANDO: Perhaps we can piggyback on this meeting at Hot Springs and have one the day before or after.

MR. RENFRO: The focus could be implementation in certain areas --

MS. RHEA: Testing the standards.

MR. RENFRO: Where is it being tested?

MS. RHEA: Price Waterhouse Cooper was taking the lead on that.

MS. ORLANDO: On the focus group testing this summer?

MR. RENFRO: Sorry, I was --

MS. ORLANDO: No, we just do not have the right people here to answer the questions. I mean, because Dee and Mark were really working on it to know where the focus groups, pilots were, I believe. And Steve is on that work group, so you will probably know before we will.

MR. NAILLE: Okay, any other subjects? Have we got everything?

MS. ORLANDO: I think so.

MR. NAILLE: Any other business to bring before this board? Thank you all for attending. I thank Yellowstone, the staff and everyone here, Xanterra. This has been a blast. The meetings have been a pain, but --

MS. ORLANDO: Off the record, Marika.

[Adjourned at 4:45 pm]